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March, 1926

CREDIT

MONTHLY



31ST. ANNUAL CONVENTION
NATIONAL ASSOCIATION OF CREDIT MEN
MAY 24-28 1926
NEW YORK

25 cents

\$3 a Year



If only there had been

AUTOMOBILE INSURANCE

IT makes no difference whether the car was wrecked, burned or stolen—the owner would pay the loss—that is, unless he had “complete Automobile Insurance”.

The congested traffic conditions in our cities and on our highways, place a great responsibility upon the owner of any car. Insurance is the only method of relieving that unnecessary responsibility.

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Credit men, realizing the importance of “complete insurance”, as a safeguard to credit should urge complete Automobile Insurance at all times.

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What Destroyed this Great Industrial Plant?

Was it Fire?

Was it Explosion?

Could it have been an Earthquake?

All of these are possible causes, but the agent of destruction in this case was a tornado. Industry is beginning to appreciate the value of sound protection against this form of property damage. Even in the Eastern states destructive windstorms have caused great property losses. Every year, somewhere, wind scythes its destroying path. Every year more property owners are seeking the only protection against this unpreventable form of loss.

WINDSTORM INSURANCE in The Home Insurance Company of New York provides this protection in a company known for its financial strength, sound reputation and prompt service.

The HOME INSURANCE COMPANY NEW YORK

CHARLES L. TYNER, *President*

A READABLE TEXTBOOK— LECTURE MATERIAL, PROBLEMS, TESTS— IN THE NATIONAL INSTITUTE OF CREDIT'S CORRESPONDENCE COURSES

Progress for the man or woman in business is marked by milestones in the form of increased responsibilities and better compensation. These evidences of advancement are won partly on the basis of experience, but they depend essentially on a far more important factor,—systematic education in the established principles which underlie sound business practice.

The purpose of the National Institute of Credit is to provide, at the lowest possible cost to the student, educational training which will make advancement in business not a possibility but a certainty. In the credit field, the Institute aims specifically to qualify its students, whether beginners, credit men, credit managers or credit executives, to move up to the position which is immediately ahead of them and which represents the next logical step in their advancement.

The Institute is a Department of the National Association of Credit Men. Its educational work is carried on through two main channels—class-room courses offered under the auspices of local credit associations in a number of cities, and correspondence courses conducted from the National Office at 41 Park Row, New York City.

Prospective students who are within traveling distance of one of the classroom courses should, if possible, carry on their study in this way. By so doing they will get the advantage of personal contact with the instructor and opportunity for exchange of opinion and experience with other students.

Those who are not able to attend classroom courses should arrange to take the correspondence work.

Correspondence Courses now offered by the National Institute of Credit are two: Credits and Collections, and Basic Economics. The material in each course consists of a text book, printed lecture assignments, and problems to be solved and sent to the Director of the Institute for correction and grading, after which they are returned to the student with grade and comments.

The text in the Credits and Collections course is "Credits and Collections," by David E. Golieb and Richard P. Ettinger, published by Prentice-Hall, Inc. In connection with this course there are five problems.

In the Basic Economics course the text is Henry Clay's "Economics for the General Reader" (the American edition, edited by Professor Eugene E. Agger, of Columbia University).

Correspondence courses in Business English and Accounting are being planned and will be announced as soon as they are ready.

Meanwhile a number of students are continuing their work toward the Institute's certificates by taking correspondence courses offered by educational institutions such as Columbia University and the University of Wisconsin.

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NATIONAL INSTITUTE
OF CREDIT, DEPT. 3,
41 Park Row,
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"Basic Economics" ()
"Credits and Collections" ()

Name.....
City.....State.....
Street.....
Firm.....

Certificates The National Institute of Credit gives two Certificates, the Junior and the Senior Certificate. The Junior Certificate is awarded to students who have completed the following 300 hours of work:

Credits and Collections	60 hours
Economics	60 hours
Business English	60 hours
Accounting	60 hours
Law of Contracts, or Corporation Finance and Investment Credit	60 hours

Total 300 hours

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Law of Contracts, or Corporation Finance and Investment Credit	60 hours
Principles of Business	30 hours
Merchandising	30 hours
Money and Banking	30 hours
Business Barometrics	30 hours
Business Law of Bankruptcy	30 hours
Negotiable Instruments	30 hours
Foreign Trade and Foreign Credit	30 hours
Credit Research	30 hours

Total 300 hours

Associates and Fellows in Credit. Students who have been awarded the Junior Certificate and who have had three years of practical credit experience become Associates of the National Institute of Credit. Students who have been awarded the Senior Certificate and who have had five years of practical credit experience become (provided they are at least 25 years of age) Fellows of the National Institute of Credit.

Organization. The educational work of the Institute is under the direction of the Director of Education, aided by a Supervisory Committee, composed of a board of three business educators and three experienced credit men. The Committee on Credit Education of the National Association co-operates in establishing and maintaining local chapters.

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Even if you are not definitely engaged in credit work, or looking forward to it, remember that these courses will be of distinct value to you in any business. When new policies are to be formed, modern business turns to the man who is thoroughly trained in the principles of credit, for the man who knows credits knows business.

Mail the coupon today, and the Institute will give you full information concerning the courses. Then let the Institute help you to get a thorough knowledge of credit—the foundation stone of modern business.

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Hours of Study Produce Dollars of Salary

CREDIT

MONTHLY

REG. U. S. PAT. OFF.

THE NATIONAL MAGAZINE OF BUSINESS FUNDAMENTALS

(Member, Audit Bureau of Circulations)

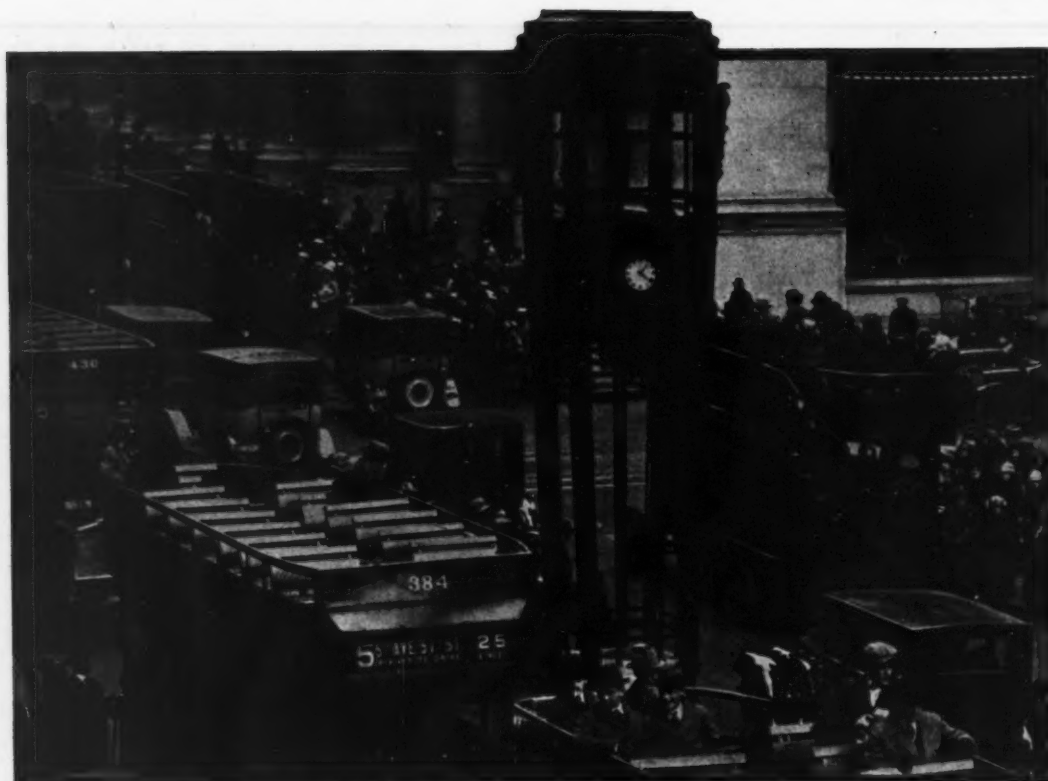
Editorial and Executive Offices, One Park Avenue, New York

Rodman Gilder, Editor

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FIFTH Avenue at Thirty-fourth Street. Constant crisscrossing of pedestrians and motor vehicles. Congestion! Chance for many fatal accidents. Yet—safety instead. A system of stately traffic towers regulating the flow of traffic has reduced the number of accidents to a minimum—it has made Fifth Avenue a street of safety.

Safety from fire in your manu-

facturing plant—how can it be attained? What will be your fire prevention program, your system of control which safeguards the steady flow of production against the hazards of fire?

Our Engineering Department, experienced authority on such problems, will welcome an opportunity to co-operate with you in this respect. It will pay you to inquire.

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The CONTINENTAL **FIRST AMERICAN**
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The "America Fore" Group of Fire Insurance Companies

Which of Them Is Right?

"**B**USINESS is the best game I know how to play," said the wiry young Vice-President. "I take enough exercise to keep myself fit; but I don't waste time on golf or tennis, yachting or automobiling. Talk about the zest of a game—why, I can get more kick out of the competition of business than all the games I ever saw played."

"I don't look at business that way," remarked the senior Vice-President. "Stripped of its bunk, business, in my opinion, is just a method of winning financial independence for myself and those who are dependent upon me. As soon as I can pile up enough good securities you will not see me around this office—or any other office. Business is little more than a hard grind. The sooner we can get out of it the better . . . Let's ask our analytical friend here, which of us is right."

"You are both wrong and both right," said the Credit Manager with a smile. "I would consider any week lost out of my life if I could not during that week get myself a little further on the way toward financial independence and also could not get a lot of enjoyment as I go along from sources inside the office and outside the office. If through any accident I lost my capacity to work, I believe I would still have plenty of interests to occupy my time. And if I had to work *all* the time, I think I could get enough fun out of the work itself to keep me happy."

"I believe that any man who enjoys himself only during business hours or only after business hours needs to line himself up for a little self-analysis and as promptly as possible change his attitude."

Robtman Gilder

Editor



Why cross on a plank when you have a bridge?

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in the Hartford.



HARTFORD FIRE INSURANCE CO.

HARTFORD, CONN.

The Hartford Fire Insurance Company and the Hartford Accident and Indemnity Company write practically every form of insurance except life.

CREDIT MONTHLY

Vol. XXVIII

MARCH - 1926

No. 3

Success Through Co-operation

Club Slogan Put Into Effect by Credit Department

By W. R. Stevens

Credit Manager, Hercules Powder Co., Wilmington, Del.

IN 1923 The Hercules Club of Wilmington, consisting of all the male members of the Wilmington office of the Hercules Powder Company, conducted a contest for the purpose of selecting a club slogan and the winning suggestion was "Success Through Co-operation." Since whatever success we have had in our credit system in endeavoring to maintain sales at a high level and minimize credit losses at the same time has been due entirely to cooperation, I immediately thought of that as a fitting title for this sketch.

Almost four years ago I wrote an article for the CREDIT MONTHLY outlining our method of supervising credits and I feel already repaid for the time and effort spent on both that one and this because it has afforded an opportunity to check up our present system with that of four years ago and decide among ourselves whether or not we are still headed in the right direction. Incidentally, a comparison of this with the April, 1921, article will show but minor changes in our system.

At that time our business was mainly explosives on which the terms were 30 days net, no cash discount, the discount after a most careful analysis of the situation having been discontinued on November first, nineteen hundred nineteen.

Since then, however, the Naval Stores, Turpentine, Rosin, Pine Oil, etc., division of our business has assumed large proportions, the same thing applying to the Nitro-cellulose department, and with these have come new and larger problems in credit. For instance, terms on Naval stores vary from sight draft against bill of lading to ten days and thirty days, net, cash discount of $\frac{1}{2}$ of 1% five days to 1% ten days being allowed. On the Nitro-cellulose products terms of thirty days net, 1% ten days apply. This has brought us into contact with two additional as well as different classes of trade from what we formerly had and this has meant that somewhat different methods had to be pursued on each one. It is almost like operating three separate corporations with three separate credit departments. Practically all of our twelve branch offices handle explosives and naval stores, so that our branch office credit departments have two lines to deal with. The home office sales organization distributes the Nitro-cellulose products, so

that those credits are handled exclusively at the home office.

We still lean very heavily on the theory, and practice it too, that while a salesman's function primarily and mainly is to sell, he can, if properly coached and encouraged, be an important cog in the credit department wheel. This applies particularly to explosives and also to the other departments but not to the same extent on account of marketing conditions. It is often difficult to sell the idea to a salesman but once sold, he becomes a real arm for the credit man to lean on at times and incidentally this means nothing more nor less than selling the credit department to the salesman. It can be done, it is being done, but to do it there must be a closer contact between the two than that created by correspondence. The

time has passed when a credit manager can hope for anything more than indifferent success in his work if he anchors himself behind a mahogany desk and limits his activities to the office. He must get out into the field nowadays and not only meet and go over matters with the salesman but help him, in what after all are his problems, by calling on his trade with him. Very often an extremely doubtful risk in the office and one worried over a great deal by both credit man and salesman becomes a satisfactory risk with no further correspondence or worry for either after the credit man had gotten on the ground and made an investigation. This sort of thing helps the salesman, it encourages him and convinces him that you really want to help him all you can and goes a long way toward getting close



W. R. Stevens, born in 1890, put himself through school and business college by selling newspapers, instructing in a skating rink, etc., and in his nineteenth year started as a stenographer with Armour & Co., Wilmington, at nine dollars a week. In 1912 he became Assistant Credit Manager of the Standard Oil Co. of New York at Albany. Resigned in 1918 to take up his present work of supervising credits and collections at the home office and all branch offices of the Hercules Powder Co.



THE CREDIT MANAGER'S GENERAL OFFICE

The three assistants and three stenographers are shown. Filing cabinets (not shown) are right here in the department, so that correspondence is immediately available at all times.



POSTING MACHINES

These two operators of electrically controlled posting machines in the Accounts Receivable Department do all of the posting, which averages about 12,000 entries per month. They also check out the remittances on the ledger and do some clerical work on them besides.

cooperation from all of the men in the field. I do not hesitate to say that without the assistance we get from our salesmen our credit work would not only be much more difficult but in my opinion our results would not be nearly as satisfactory.

Branch "Get-Togethers"

We continue to have "get-together" meetings at the branch offices where the salesmen come in to air their troubles and where the home office credit department is represented because, strange as it may seem, they think a large part of their troubles is credit. At these meetings the salesmen get a better idea of

what is expected of them and the credit department also gets a close-up of the salesman's troubles. And let me say from a good many years' experience for the benefit of those who for one reason or another do not get out of the office and live with the salesmen, that they are not always wrong. They are capable of exercising good judgment and when encouraged they prove their worth as a credit department aid.

Inasmuch as the distribution of Hercules products is nation wide, we maintain a large number of branch offices where credits are extended and collections are made the same as at the home office. At each office, usually the chief

clerk looks after the accounts, new accounts are opened, credits are passed on daily and collections are followed up closely for the territory. All billing is done in the branch office and an accounts receivable ledger is kept there, an up-to-date combination billing and ledger posting machine being used in all offices where there are enough entries to make this economical. Monthly statements are made at the same time the posting is being done so that when all postings for the month are finished the statements are immediately available for mailing.

Practically all branch office reports such as invoices, sales sheet, credit sheets, stock records, etc., are made in duplicate; the originals, in some cases and duplicates in others, being sent to the home office where duplicate ledgers are kept principally for the convenience of the credit department. With this complete set of records at both points it avoids confusion in handling matters with the branch offices. It also would be of real value in case of fire destroying the records at either point. In the home office, the billing for the home office ledger is done on the latest improved billing machines which not only do the work with a minimum of time but carry with them the much desired accuracy feature. As a result of this all reports are posted the same day they are received from the branch offices and the credit department has up to date ledgers to work with at all times.

Before our Naval stores and Nitro-cotton lines assumed such large proportions our accounts averaged large amounts, resulting in a large volume being done with a small number of accounts; but these additional lines have brought an increased number of small accounts which have to be investigated with the same care as the larger ones.

Our Branch office organizations are small, the personnel ranging from four to twenty, the average being about eight, and the chief clerk who handles the accounts also assists with the sales. Responsibility for the condition of the accounts is centered at each branch office and they are expected to carry on just

MONTHLY REVIEW OF ACCOUNTS

192

SALES					COLLECTIONS				BILLS RECEIVABLE			
THIS MONTH	LAST MONTH	TWO MONTHS AGO	AVERAGE LAST THREE MONTHS	SAME MONTH LAST YEAR	THIS MONTH	LAST MONTH	TWO MONTHS AGO	SAME MONTH LAST YEAR	THIS MONTH	LAST MONTH	TWO MONTHS AGO	SAME MONTH LAST YEAR
BIRMINGHAM												
CHATTANOOGA												
CHICAGO												
DULUTH												
HAZLETON												
HOME OFFICE												
JOPLIN												
NEW YORK												
PITTSBURG, KAN.												
PITTSBURGH, PA.												
ST. LOUIS												
SALT LAKE CITY												
SAN FRANCISCO												
WILKES BARRE												
SUB-TOTAL												
NAVAL STORES												
TOTAL												

TOTAL OUTSTANDING—ACCOUNTS RECEIVABLE—BILLS RECEIVABLE—TRADE ACCEPTANCES AND NUMBER OF DAYS SALES REPRESENTED—BASED ON AVERAGE FOR LAST THREE MONTHS

THIS MONTH	LAST MONTH	AMOUNT	TWO MONTHS AGO	SAME MONTH LAST YEAR	THIS MONTH	LAST MONTH	TWO MONTHS AGO	DAYS SAME MONTH LAST YEAR	HIGHEST PREVIOUS MO. DAYS	LOWEST PREVIOUS MO. DAYS
BIRMINGHAM										
CHATTANOOGA										
CHICAGO										
DULUTH										
HAZLETON										
HOME OFFICE										
JOPLIN										
NEW YORK										
PITTSBURG, KAN.										
PITTSBURGH, PA.										
ST. LOUIS										
SALT LAKE CITY										
SAN FRANCISCO										
WILKES BARRE										
SUB-TOTAL										
NAVAL STORES										
TOTAL										

TOTAL SLOW—ACCOUNTS RECEIVABLE—BILLS RECEIVABLE AND PER CENT OF OUTSTANDING

THIS MONTH	LAST MONTH	AMOUNT	TWO MONTHS AGO	SAME MONTH LAST YEAR	THIS MONTH	LAST MONTH	TWO MONTHS AGO	PER CENT SAME MONTH LAST YEAR	HIGHEST PREVIOUS MO. %	LOWEST PREVIOUS MO. %
BIRMINGHAM										
CHATTANOOGA										
CHICAGO										
DULUTH										
HAZLETON										
HOME OFFICE										
JOPLIN										
NEW YORK										
PITTSBURG, KAN.										
PITTSBURGH, PA.										
ST. LOUIS										
SALT LAKE CITY										
SAN FRANCISCO										
WILKES BARRE										
SUB-TOTAL										
NAVAL STORES										
TOTAL										

the same as though they were a separate company, being furnished with the necessary credit tools to work with. Memberships are held in several local credit men's associations.

Mr. Tregoe's monthly letter goes to each branch office, as well as the CREDIT MONTHLY and the Credit Man's Diary and Manual of Commercial Laws. They have either one or both mercantile agency services and are furnished with extracts from well-known statistical bulletins, in fact every credit department aid that is available to the home office is furnished them.

Home Office Control

While control of all accounts is from the home office, the branch offices do the bulk of the work and play a very important part in our system. Obviously they are continually referring matters to the home office for decision and not being burdened with all of the details of all offices, the home office Credit Department is left much freer to study these important questions. When a new account is opened by a branch office a salesman's credit report is made out and as a rule mercantile reports are secured, duplicates of all these being forwarded to the home office to be reviewed and filed

for future reference. From this point the account is followed through to a conclusion unless trouble is encountered in making the collection. If an account reaches a point where the services of an attorney seem necessary, it is transferred to a Special Attorney Ledger in the home office, the correspondence file is forwarded and the credit department places it with our attorneys and continues with it until it is collected or written off to bad debts.

Copies of monthly statements showing items three months or more old are forwarded to the home office with comments on each one as to its status. Along with these, an analysis of slow accounts (those over sixty days old) is prepared by the branch office and sent in showing the condition of each slow account by months.

A valuable report prepared at the home office after the various reports from the branches are received, is our Monthly Review of Accounts. This shows total "Sales" by branch offices, "Collections," "Bills Receivable," "Total Outstanding" (in amount and also in number of days sales, based on an average for three months) and "Total Slow Accounts" (both in amount and percentage of Total Outstanding). This is shown for the current month, last month, two months

ago, and the same month last year. It gives a real picture of our accounts and immediately shows up the good and bad spots. Photostat copies of these reports are sent to the branch offices.

Our credit department in the home office having practically everything in the way of credit data that the branch office has, devotes its time to special accounts, special investigations and keeping the branch offices "tuned up." The writer spends a great deal of his time visiting the branch offices and important customers, far better results being accomplished in this manner than through correspondence. We in the home office also handle the Home Office ledger, the Attorney and Bad Debt ledgers. And while it is no record breaking figure it may be of interest to the many readers of the CREDIT MONTHLY to know that on Sales in 13 years in excess of \$200,000,000 our Bad Debt losses have been less than one quarter of one per cent. This is a tribute to harmony and co-operation coupled with a bit of good judgment here and there. Our salesmen and branch offices understand us, we think we understand them and as a result we are pulling together all the time. With this type of team work, good results just naturally follow.

Credit Granting Abroad

A Delicate and Essential Feature of Export Trade

By Lewis S. Thomas

Export Manager, Monongah Glass Co., Fairmont, W. Va.



ASSEMBLING THE DEBTOR MERCHANT'S PICTURE

FAITH is the substance of things hoped for" and, in credit granting, we express not only our faith in our customers their honesty and ability, but as well, in the forces of Nature and her Creator. For is not commerce really a means of gathering and distributing the fruits of the Earth? In its last analysis, every commercial or industrial organization springs up as an Adventure in Faith, whether in a country's resources or an individual's ability. By granting credit, we merely extend the sphere of faith.

If credit granting is not the life of trade, it is, at least, a very important lubricant for the wheels of any business that seeks an outlet in the foreign field.

In these days of rapid development of new media of production, with their attendant keen competition in making and holding new outlets, a carefully worked-out and generous policy of credit granting will prove its value in gaining markets and establishing consistent buying habits on the part of customers, as well as in winning good will. It is commonly conceded in domestic business that credit granting is justified. A careful study of facts and conditions in export business will convince the openminded that it is still more justified in the foreign field.

Does any seller of goods hold his buyers in the Wheat, Corn, or Cotton Belts to the strict terms that he does those who are functioning in the more densely populated, industrial regions like New England or New York? Where the means of payment are won from crops, cattle raising or mines, there are bound to be periods when the supply of cash is limited, as is not the case in sections where the ultimate consumer receives his compensation in wages paid weekly. And, in the export field, the greater part of the consumers gain their living from coffee, cacao, or

WINS SILVER CUP

THIS is the paper on Foreign Credit Granting that won the prize offered by George W. Henderson, of Amory, Browne & Co., New York, member of the Supervisory Committee of the Foreign Credit Interchange Bureau of the National Association of Credit Men.

The competing papers were mailed unsigned to the Bureau. The winning paper was the unanimous choice of the judges, William Walker Orr, Secretary of the New York Credit Men's Association; W. S. Swingle, Manager of the Foreign Credit Department of the National Association of Credit Men, and Rodman Gilder, Editor of the **CREDIT MONTHLY**.

cattle raising, or mining—in all of which industries there are periods of waiting, either for maturing crops or for demand.

In commerce, as in every phase of existence, mankind is knit into a "Bundle of Life," one people being dependent on others for their livelihood. We Americans are just entering upon a state of economical dependence upon others that has been for years the natural condition in Europe. This may sound surprising. But think how many industries there are now whose steady profits depend upon the volume of sales to the outside world? Instead of using foreign demand as a means of disposing of production surplus, we are beginning now to depend upon this demand for our healthy growth.

As most credit granting in the export business is based upon credit instruments and not on open accounts, as is the case in the domestic field, it affords greater safety. It may not be possible to collect any more easily on a credit instrument,

but such a document does have upon the customer the salutary influence which comes from the knowledge that any default of his will be known by an institution with which he may want to be in good standing. Even though the draft be clean, the drawee realizes that the bank will be cognizant of his failure to pay and he will give more attention to the maturity. If the customer is dishonest, it is very likely that he will manage to evade payment, whether of open account, clean draft, or even draft with documents.

Visualizing the Customer

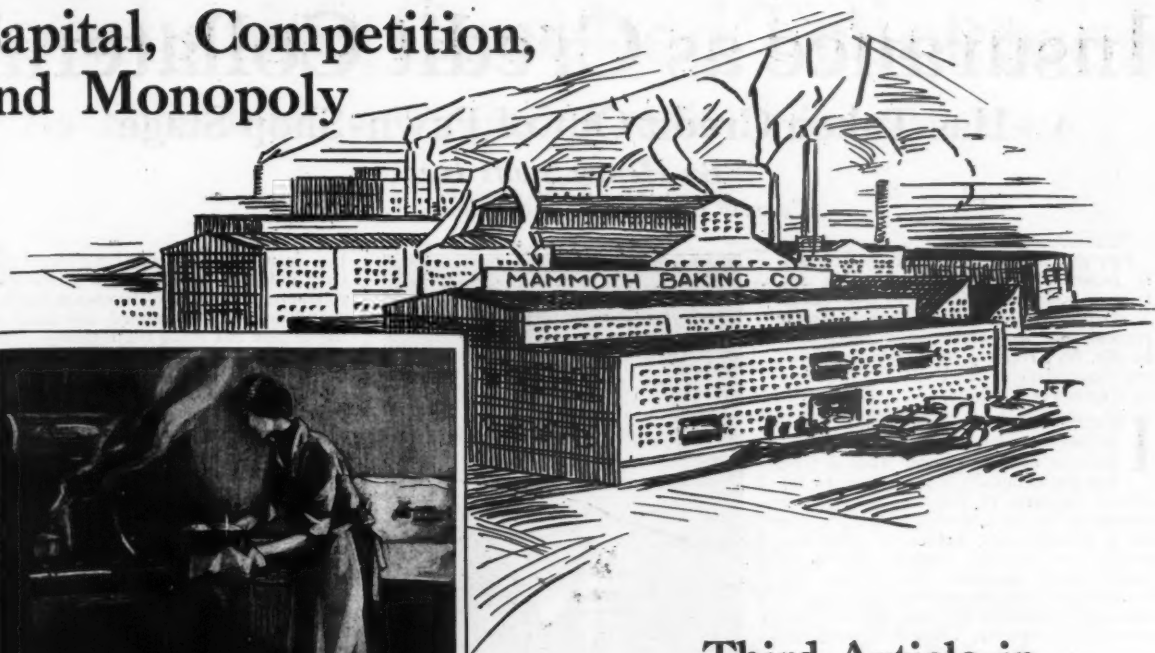
After this much of an introduction, it is apparent that, in granting credit, the most important element is that of making the choice of those to whom the facilities are to be accorded. The subject, then, becomes one of a consideration of the sources on which the grantor can rely for information, their relative importance and values, and how best they may be used.

Like every other operation in commerce, credit granting can be studied and a technique developed which will make it possible to give every applicant who deserves consideration the benefit of credit and to avoid letting the unworthy obtain its privileges. There are gradations of both classes and it is not to be supposed that any concern is going to do business over a long period of years without suffering some losses.

Before we have a report on a foreign customer, we should try to visualize his position. We read the name of the firm, and make a guess as to its nationality. We read the name of the country and city and get an idea of what are the foundations upon which his business depends. We look at the illustrations on the letterhead and judge his progressiveness.

Think of the merchant in Cali or San
(Continued on page 31)

Capital, Competition, and Monopoly



The change wrought in the baking industry by competition and combination

Third Article in Series on Economics

By Bernard Broudy, B. S., M. B. A.

Asst. to Director, Depart. of Education and Research
Nat'l. Asso. of Credit Men

IN last month's article most of the space was given to the Organization of Production. The three elements, from the economist's point of view, that go to make up production, are land, labor and capital. Land is a general term to include not only the popular interpretation of the word in real estate circles, but all natural resources as well. Labor includes all types of human effort, whether skilled, unskilled or managerial. One writer has put it as the "application of human energy to natural forces."

Capital has been defined in different words by different economists, but all have essentially similar ideas and thoughts. Clay says capital is "wealth saved up and used for the purpose of aiding production." Agger gives it as "wealth put back into the system of production for purposes of further production." Hilaire Belloc, in his book, *Economics for Helen*, says it is "an accumulation of wealth made in the past and used up in future production."

He goes on to say that there are three important things to remember about capital. "The first is that what makes a particular piece of wealth into capital is not the kind of object to which the economic value attaches, but the *intention* of using it as capital on the part of the person who controls that object; that is, the intention to use it for the *production of future wealth*. The second important thing to remember about capital is that, being wealth, it is *at last consumed*, as all other wealth is. Capital is consumed in the process of using it to make more wealth and, as it is consumed, it has to be replaced, or the process of production will break down. The third thing to remember is that *Capital is always the re-*

sult of saving. That is, the only way in which people can get capital is by doing without some immediate enjoyment of goods, and putting them by to use them up in creating wealth for the future. This ought to be self-evident; but people often forget it, because the person who *controls* the capital is very often quite a different person from the person who *really accumulated* it."

There is much discussion today about the problem of capital and labor. It implies some basic opposition between capital and labor as factors in production. This is unfortunate, as fundamentally there is no more real opposition between capital and labor than there is between capital and natural resources or between labor and land. In so far as there is any opposition, it is between labor and enterprise—between wages and profits and not between wages and interest on capital.

This leads naturally to the subject of *capitalism*. The term capitalism refers to the system of economic organization where private property in capital goods prevails, that is, where the material means of production are privately owned, even though comparatively few own them, and where the control of production is left to individual initiative under the lure of profits. Capitalism does not mean that capital exists only in this form of society. Capital exists in all societies. The special significance grows out of the fact that capital has played the most prominent part in developing our present large scale specialized production. To quote from one of the lectures in our course in economics: "It is because our present system depends so vitally upon an adequate capital fund that capital has become so important. Those who today control or strongly in-

fluence the apportionment of capital are in a position of great strategic influence in our system. The banker enjoys peculiar power in modern economic society because bank operations are essentially operations for the apportionment of capital. 'Good credit' is vital for the business man, because good credit implies the possibility of commanding additional capital."

Unfortunately the terms "capitalism" and "capitalistic" are usually employed in a derogatory sense. This is because those who are chiefly impressed by the evils of our present system confuse the importance and existence of capital with private ownership and control of capital as well as with the principle of free enterprise which also characterizes our present system. One must remember, however, that no matter what system is in operation, specialized production with division of labor is possible only with the maintenance of an adequate capital fund. The defects of the system have been harped upon so much that one unconsciously connotes the term "capitalism" with an evil and undesirable situation. Volumes have been written on the merits and defects of our present system; suffice it to say it has evolved from one a lot worse, and is constantly developing into something better. No system can claim to be the ideal, but that one is best which most effectively serves the greatest number of people.

Competition

Competition enters into every phase of our productive organization. Suppose we spend two dollars and a half for a woolen shirt. There is competition between haberdashers to sell us the shirt. We might buy a cotton shirt, so the woolen indus-

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Insurance as Credit Collateral

Has Taken Credit Out of Pawn-Shop Stage

By Henry Swift Ives

Casualty Information Clearing House, Chicago

Fire and Marine Insurance, and Casualty Insurance, will be discussed by Mr. Ives in subsequent issues of the CREDIT MONTHLY. These articles, as well as the present one, are based on a paper read by Mr. Ives recently to a class in Credits and Collections at the Y. M. C. A. School of Commerce, Chicago.

I HAVE seen insurance defined as a device to remove the economic consequences of uncertainty. That is true, but the definition is too vague. In the precise language of the law, insurance is considered to be a contract whereby one for a consideration agrees to indemnify another for liability, damage or loss by certain perils to which the subject may be exposed, with the qualification that life insurance contracts are not strictly contracts of indemnity. Blackstone says the same thing another way, as follows: A policy of insurance is a contract between A and B, that upon A's paying a premium equivalent to the hazard run, B will indemnify or insure him against a particular event.

There is little inspiration in these definitions, and you are welcome to any help they or their kind may give you in understanding what insurance really is. There are, however, some simpler definitions which I like better. One of these says that insurance consists of the collection of small amounts from the many to aid the unfortunate few in their time of need. That does contain some of the elements which raise insurance above the dead level of an economic device or a legal contract, but it also is nearly as applicable to a community chest charity fund as it is to insurance. This idea, however, may be amplified so as to define insurance as an arrangement made by a group of persons, each singly in danger of some loss the incident of which cannot be foreseen, that where such loss shall occur to any of them it shall be distributed over the whole group. And putting it still another way, insurance is really a practical working out in the social and economic life of the world of the exhortation of the Apostle Paul, "Bear ye one another's burdens."

Grouping for Protection

Insurance as we know it has developed out of a very human instinct, the instinct of self-protection. This instinct is the foundation of law, and insurance only extends the scope of the protection furnished by organized society to those situations with which the law cannot deal. In primitive society men formed themselves into groups for the purpose of better defending themselves against all manner of perils to which they were exposed. From clan to tribe, to village, to city, to state and to the nation this process of grouping for protection has continued until today, and the basis of it is that protective instinct which has dominated human society since the dawn of recorded tradition—the insurance instinct, if you please.

The institution of insurance has had a long and eventful history. Some trace its



HENRY SWIFT IVES

origin back to China in the days of Confucius. As a commercial factor, however, it seems to have had its inception in the marine loans of the ancient Greeks several centuries before Christ. It undoubtedly was known to a limited degree in continental Europe during the middle ages. It was not, however, until near the end of the Seventeenth Century that insurance in the modern sense came into use in England and from there it has spread to all the world. Marine insurance was the first form, and this was followed by life and fire. Accident insurance, liability insurance and the many so-called casualty lines are of comparatively modern origin. In a discussion such as this it is impossible to more than hint at the historical aspects of the subject.

The principal development of the institution of insurance has taken place during the last one hundred years, and the most striking feature of that development may be found in the history of the present century. The popular belief seems to be that insurance has grown great because of the needs and demands of society in the industrial era in which we live, that it has been a trailer, not a leader. The reverse of this, however, contains more elements of truth. Civilization advanced laboriously until the institution of insurance provided a bulwark against the risk and hazards of industry. The unprecedented development of human achievement during the last century has been attributed to a variety of causes, but never to insurance. But I do not feel that I am exaggerating when I say that without insurance as stimulant, without the sense of protection which it offered, the pace of progress could not have exceeded that of past centuries. During this remarkable era insurance always has been ahead of the procession and the protective devices which have flowed from

the insurance principle have been a vitalizing influence in the growth of trade and commerce everywhere. Insurance has bred confidence, has stimulated individual initiative and has made the highway of progress safe for the traveller so far as it is within the power of human ingenuity so to do. And today we find that the principles have been successfully applied to an almost endless variety of conditions and relations born of the increasing perplexities of modern life.

Indeed, insurance is perhaps the most nearly universal of all our institutions, reaching in its wide sweep all classes of people, all industries and all ventures. Despite this, however, it is perhaps the least understood and the most misunderstood of our institutions. But if insurance suddenly should be eliminated as a factor in modern life its fundamental importance at once would be realized. Such a catastrophe would bring about the collapse of our whole well knit industrial system, would paralyze transportation and distribution, would throw back credit to the pawnshop stage of its existence, would ruin banks, retard building, increase prices enormously and destroy much of the material progress of the world during the last decades.

Insurance Supplies New Capital

In addition to protecting persons and property, capital, wealth and savings, insurance also has furnished a never ending supply of new capital for the upbuilding of the nation. A large proportion of the money collected from the subscribers of this great indemnity service—now estimated at nearly \$4,000,000,000 annually—is invested in prime securities and made to reproduce itself in order that funds may always be available to compensate losses as they arise. These receipts, therefore, form an ever increasing capital surplus which is used for the creation of new wealth; indeed, they constitute one of the largest pools of free liquid capital to which industry has ready access today. And so wide is the distribution of these invested funds that virtually every worker and every enterprise is either a silent partner in or partly dependent on the institution of insurance.

These invested funds are to be found at work everywhere. The insurance companies own approximately 12 per cent of the capitalization of American railroads, they have vast holdings in various public utilities, they have purchased millions of dollars' worth of farm mortgages, they have helped finance building operations ranging from skyscrapers to humble cottages and they have loaned great sums to all manner of sound industrial enterprises. And these invested funds are for the most part trust funds held pending calls from policyholders for indemnity.

The magnitude of the American insurance business is little appreciated. The figures, however, are startling. It is estimated that today the assets of all companies amount to \$15,000,000,000. To this great fund life insurance contributes the

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Combating Crooked Truckmen

As Shown by a Typical Credit Protection Case

By Marshall D. Bewick

AUTOMOBILES figure in commercial crimes today almost as much as in crimes of violence. Commerce cannot do without the automobile, which, like all useful modern inventions, can be misused. The motor car is not the cause of commercial crime any more than tall buildings make people prone to suicide.

A rough estimate of cases handled in the past year by the National Association of Credit Men indicates that private cars and motor trucks figure in about 75 per cent of credit fraud cases. Of course, where goods are shipped through the mails, by express, by freight or steamship there is always a possibility of tracing stolen merchandise through bills of lading and the records of those engaged in shipping. In the case of the to the trail of the business burglar on automobile get-away, however, there is little or nothing to lead an investigator erring a motor car.

In some lucky instances the automobiles can be quickly traced, and even then a truck from a distant community or one that is disguised right down to the license plate is used for the concealment of merchandise. The situation is aggravated by the fact that automobile hauls can be made to the distance of 500 miles if the business crook is particularly anxious to cover himself. A run of 100 miles for a motor truck is not at all unusual.

A case recently handled by the Association's Credit Protection Department in Pennsylvania brings out distinctly how this automobile banditry figures in concealment to baffle investigation. In this instance, automobiles were used to carry merchandise from one town to another before a bankruptcy was staged. But because the local police and the volunteer firemen happened to observe the strange movements of automobiles to and from a store, the investigator was able to start on the trail of the goods that had been shipped by automobile to another town.

Established Their Credit

Albert Tony and George Davis conducted a small dry goods store at Bentleyville, Pa. They engaged in what was apparently an honest business, and had made a good living out of their enterprise. There was no suspicion connected with their activities and their credit was accepted by several wholesalers and manufacturers for merchandise. Besides this they had transmitted financial statements through the United States mails which, of course, was an indication of good faith.

Tony and Davis procured considerable merchandise from several concerns and then suddenly became slow in their payments. This aroused the suspicion of some of the creditors and steps were taken for an investigation of the account. Before this move had been consummated, Tony and Davis filed a voluntary petition in bankruptcy, and a receiver was appointed.

The receiver found few assets and the



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creditors turned the case over to the Association. The investigators of the Association found out through the local police that on several nights the storekeepers had left town late, sometimes as late as two o'clock in the morning, in automobiles loaded with goods. It was alleged that even after the bankruptcy petition was filed, goods had been removed. The investigator found out that Tony had relatives at Clairton, Pa., where they engaged in the business of peddling.

At Clairton, the investigator found the relatives and learned that there were others in the conspiracy to steal merchandise from creditors. The relatives had an automobile, which they claimed to use for peddling; and on their premises were found some of the goods which had come from Bentleyville.

Further search revealed that Tony had made a Federal income tax report in 1923 that showed he had an income

of \$23,500. The goods were seized, and a woman relative of Tony confessed that the family automobile had been used to haul eight loads of goods from Bentleyville to Clairton. But the members of the family warned one another; and two of the confederates succeeded in escaping to Mexico. Tony and Davis were arrested charged with a conspiracy in the commission of a crime. They were each sentenced to six months in jail. This sentence was considered light and was made so, because of limited evidence partly accounted for by the escape of the two confederates who would have undoubtedly proved valuable witnesses. If a trustee had been appointed the case could have been dispatched quickly on the basis of concealing assets from a trustee. One of the proposed amendments to the Bankruptcy Act will, if enacted, correct this situation.

A Suggested Remedy

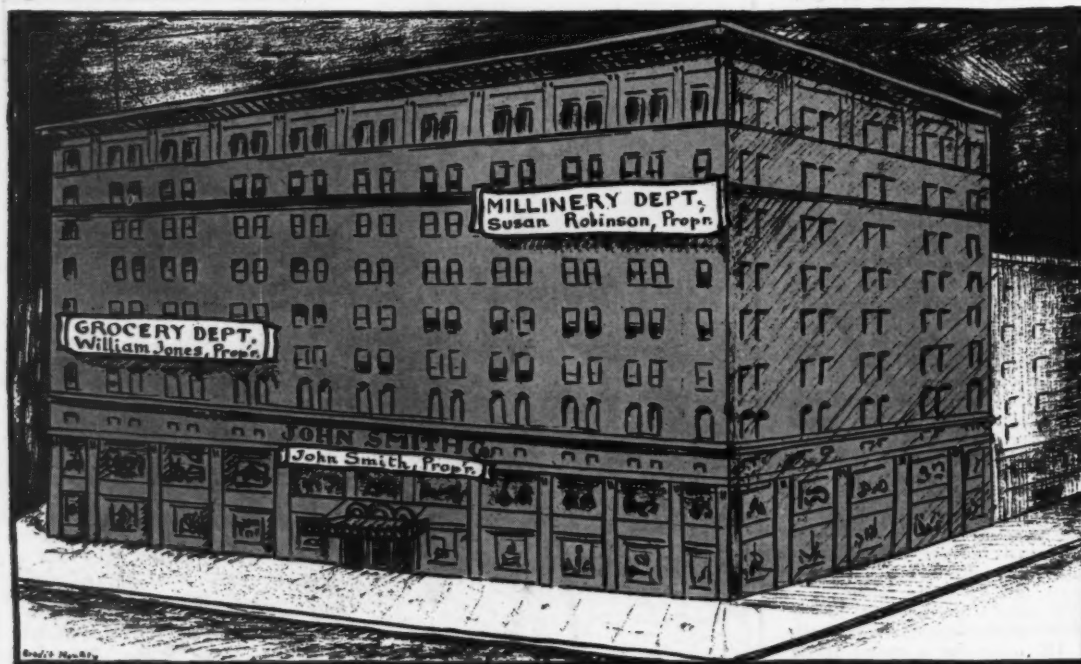
One thing that can be done to help eliminate the evil in connection with concealment of assets through motor trucking would be a ruling by the Interstate Commerce Commission that all truckmen who engage in interstate shipping shall have on file for inspection by the commission copies of shipments made with the names of consignees and consignor. Failure to do this would

be a misdemeanor, and failure to comply with such a ruling accompanied by conspiracy to conceal assets from a trustee or receiver would be a crime which would enlarge the sentence for conspiracy to conceal assets from a trustee which, of course, is already punishable.

A similar ruling might be put into effect in the states so that local police would have similar authority for the inspection of records and failure to comply would be punishable in the same

manner as in the case of the Interstate Commerce Commission supervision.

There is no doubt that in view of the increasing use of the automobile and the truck in fraudulent bankruptcies some measures should be worked out to help to reduce this evil. It is not the primary problem in investigating frauds but it often creates a situation that is difficult or impossible to surmount by investigators.



Leased Departments in Stores

Peculiarities That Affect Them as Credit Risks

By William Gregg

ALTHOUGH the public is not generally aware of the leasing of departments in local Department Stores, yet wholesalers, manufacturers and bankers have been watching this method of operation with keen interest. Few have realized that the practice has grown to the proportions shown in a new publication of the U. S. Department of Commerce, "Department Leasing in Retail Stores". Therein we are informed that, though definite statistics are not available on the subject, retail authorities are agreed that not less than 30 per cent of the department stores in the United States have one or more leased departments. The leasing tendency seems to be more popular in cities ranging from 50,000 to 100,000 population. The stores in the larger cities are reluctant to trust even their minor departments to outside organizations or individuals; some are opposed to the practice.

Millinery seems to lead the list in leased departments, yet there are many other departments leased such as crockery and glassware, carpets and linoleum, furniture, hair dressing, manicuring, optical goods, musical instruments, wall

paper, shoes, furs, sewing-machines, patterns, men's clothing, as well as foods, cut flowers, phonographs, toys, toilet preparations, soda fountains, restaurants, and (in rare instances) cloaks and suits.

Departments Help Each Other

Wholesalers selling the drug trade have been aware of the tendency on the part of large stores to lease the soda fountain and lunch concessions, as well as cigar and tobacco counters. In most cases where druggists were interviewed on this subject they explained that they entertained no doubt as to their ability to run these departments at a profit, but by sub-leasing they were enabled to devote all their attention to the drug business, which was more profitable. Moreover the drug business drew customers for the fountain and cigar counters, and vice versa. All departments profited by the better location at a nominal rent and expense for each one.

This, however, does not seem to be the viewpoint of the department stores, for we are led to believe that the reason for leasing on the part of the department store is because the department failed under store management to serve its

customers and return a profit, or (b) because it could lease with greater profit, at the same time satisfying a desire for expansion that the store's own capital could not satisfy.

The majority of retailers who lease under these conditions frankly admit that the leasing arrangement is a plan to increase the size of the store, and its profit, by the added prestige that volume affords, with the ultimate intention of taking over the department as soon as it is successfully established by the lessee and can be financed by the store.

Under an arrangement of this kind, what protection has the lessee? The answer is, as far as we are able to see, he has none. Nor do we see how the lessee can be properly protected without jeopardizing the interest of the store owners.

It is obvious that the owners are not going to lease any department without getting at least an equivalent of the cost of space and maintenance commensurate with other departments or the store. In fact, we are led to believe he will insist on a percentage of the gross sales in addition to the rental. It is not the owner's

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Behind the Sky-Line of New York

THE sky-line of New York—the inspiration of the CREDIT MONTHLY's cover artist this month—is familiar to every credit executive from the Pacific to the Atlantic. During the week of May 24 the organized credit executives of the Nation will have ample opportunities to learn what lies in back of New York's sky-line.

The great, broad, stone shoulders of New York that combat the heavy, low clouds which sweep in from the Atlantic, stand confidently at the portals of the city hailing the visitor. They are a city within a city built in tiers, which tower to the heavens.

The sky-line of New York may look like a barrier to a great city and may awe the newcomer. But when one comes to know these smooth, erect piles of material, he is as conscious of their friendliness as of that of his favorite landmarks at home. Looking down the canyons of Broadway, Wall, Broad and Pine Streets, you see only grim-faced buildings. But stop a moment before the Woolworth Building and catch the spirit of its lines and the tracery of its architecture and then wander south, past old St. Paul's and stand within the American Telephone building. Here is a Grecian temple with rugged doric columns rising in quiet simplicity.

Or you may slip into the canyons of the financial district and look up at the Stock Exchange where the master spirit of the architect and the sculptor have created a pleasing and impressive effect. There is hustle and bustle round about. Without this life and clamor these spires of progress would lose the color and contrast so necessary to the picture.

Friendly protection is what the New Yorker feels through these skyscrapers. There is nothing overpowering about these buildings when one comes to know them even slightly. The Bankers Trust Company Building, that stands like a monument on Wall Street, gives the visitor a sense of grandeur in its strong, straight, white regularity. And the wisps of steam that float away from its pyramid roof lend life to the sky-line.

To see the ravines of trade at their best, wander among the buildings on a cool spring morning with clear sky and brilliant sun blending the colors of the urban display. Breezes off the bay swirl through the streets where little dust offends the eyes. The high offices become balconies over-looking the majesty of the bay dotted with swaying ships, and laughing in gay white-caps that play around Bedloe's Island where Liberty beckons to all friendly faces of the earth.

There is welcome in the wide swinging doors of the entrances to the sturdy towers of commerce. Happy, friendly people pass in and out of buildings bumping one another in friendly jostling that marks the county fair or the convention. The whistles of the traffic police echo down the lanes of trade, guarding the life and limb of the population by commanding an orderly movement of men and vehicles.

Come join us behind the sky-line of New York. Spring will be here when we meet. You will be truly welcome.

M.D.B.



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THE CORNER OF BROAD AND WALL STREETS

Looking north, up one of the canyons of New York City, showing a corner of the United States Sub-Treasury at the northeast corner of Broad and Wall Streets; the New York Stock Exchange at the left with its overhanging pediment; the towering Bankers Trust Company building at the northwest corner of Wall and Nassau Street, which is a prolongation of Broad Street.



Courtesy Merchants Association, N. Y.

THE STATUE OF LIBERTY, NEW YORK HARBOR

Modeled by Bartholdi, and presented to the United States by the Republic of France. The statue was unveiled October 28, 1886.



Courtesy Penn. R. R.

CITY HALL PARK, N. Y.

Looking over the City Hall toward the old Post Office and the Woolworth Building



THE HOTEL COMMODORE
N. A. C. M. Convention Headquarters



Courtesy Merchants Association, N. Y.

BATTERY PARK, NEW YORK

Showing the Aquarium and the U. S. Custom House.



© Galloway

THE HEART OF THE WHITE WAY

Looking north in Longacre Square, New York City, at 8:40 P.M., showing Broadway at left running at a sharp angle into Seventh Avenue



© Galloway

THE COUNTRY IN THE CITY

North end of Central Park, New York City. The flag staff marks the site of one of the forts which guarded McGowan's Pass. In the left upper corner is shown, on the heights, the Cathedral of St. John the Divine under construction

A New and Valuable Feature for the CREDIT MONTHLY

Answers to Credit Questions

By the Department of Service

National Association of Credit Men, 41 Park Row, New York

Q. Can a corporation guarantee the debts of another corporation?

A. A corporation has no inherent power to guarantee the debts of another corporation. (See 1926 Diary, page 307.)

Q. Is there any likelihood that a national Lien Law will be established, which all states would accept? In looking on page 359 of the Credit Man's Diary and Manual of Commercial Laws we find that under the Pennsylvania system, the sub-contractors and material men are given a lien directly on the building and land on which it stands, and the principal contractor's lien is subordinated thereto. It seems to us a much better plan than the New York or Massachusetts system.

A. I would advise you that Secretary Hoover has appointed a commission to draft a uniform Mechanic's Lien Law for adoption in all the states. Whether they will adopt the Pennsylvania, New York or Massachusetts Law remains to be seen. The Pennsylvania Law gives much more adequate protection to sub-contractors than does the New York system.

Q. Where was the first convention of the National Association of Credit Men?

A. In Toledo, Ohio, in 1896; about 400 concerns were represented.

Q. Would you advise employing an attorney as a Credit Manager?

A. Not any more than we would advise the employing of a Credit Manager to represent you at the bar. Although a knowledge of commercial law is essential to the Credit Executive, only a small percentage of this work has to do with legal subjects. I am inclined to think that there is too much law in the Credit Department and not enough credit knowledge in the legal profession,—especially is this true with the collection lawyer.

Q. Is there a tax in the City of New York on the amount of orders taken and also on the amount or stock held in New York (by a Massachusetts corporation) merely as a sample room, all deliveries being made from home warehouse?

A. Where a Massachusetts corporation maintains in the City of New York merely a stock of samples and makes no contracts within this State, keeps no stock of goods here from which deliveries are made, and maintains no bank account in its own name in New York State, it is not subject to taxation under the State of New York, nor is it necessary to take out a license to do business in New York State. There is, however, a possibility of a personal property tax being assessed.

Q. When a check drawn for the purpose of paying an account in full and so stating on the face of the check, is accepted by the payee, cashed and returned to the maker of the check, while in re-

ALL inquiries made of the Department of Service immediately upon receipt, are answered either by letter, telegram or telephone. The questions answered here are but a few of those received. They are believed to be of interest to many readers.

Many hundreds of recent questions, answered by the Department, having no general interest,—however important to those who ask them,—are not printed.

The Department of Service draws upon many authoritative sources of information including all the departments of the National Association of Credit Men. Hypothetical questions relating to the Commercial Law of the States will be answered but legal advice cannot be given. When confronted with an actual legal problem the services of a competent attorney should be secured.

ality the account is not paid in full, can the creditor claim an additional amount to be due?

A. Where a check, marked "In full of account," is tendered in settlement of a disputed or an unliquidated account and is accepted by the payee, it acts as a release of the debtor and precludes the payee from holding the debtor liable for any balance which may remain unpaid; it effects what is known in law as an "accord and satisfaction". But where there is no dispute as to the amount due and the debt is liquidated and certain, the use of a check marked, "In full of account" does not effect an accord and satisfaction, and the payee may accept and use the check and hold the debtor liable for the payment of the balance of the account.

Q. What are the progressive steps in a bankruptcy case?

A. They are as follows, presented in chronological order:

1. Filing of Petition.
2. The Schedules.
3. Adjudication in Bankruptcy.
4. Designation of Referee.
5. Appointment of Receiver.
6. Qualification of Receiver.
7. Examination of the Bankrupt under Sec. 21 (a).
8. First meeting of Creditors.
9. Receiver's Report.
10. Election of Trustee.
11. Qualification of Trustee.
12. Proof of Claim.
13. Appraisal and Sale of Bankrupt's Property.
14. Turnover Proceedings.
15. Final Meeting of Creditors.
16. Dividends.

17. Discharge of the Bankrupt.

18. Objections to the Discharge.

(Note: The above progressive steps with a full explanation of each can be had by addressing the Department of Service, enclosing a legal size envelope, self-addressed, with 4 cents postage.)

Q. Do any concerns allow days of grace after discount due date, such as 2-10, 10th prox?

A. Yes, some concerns do; from 2 to 5 days. Usually where days of grace are allowed, checks must reach the office within the days of grace. It is well to bear in mind, however, that allowing days of grace soon becomes a costly habit, hard to break.

Q. Is there a tendency toward discontinuing the mailing of monthly statements?

A. Yes. Some firms mail statements at the regular audit period, which may be quarterly, semi-annually or annually, while others mail only to those requesting statements. In each case, however, where customer does not pay invoices in rotation or has a disputed item on his account, statement should be mailed showing all open items. Much depends on the terms. Where 10th prox. or any proximo terms are used, statements should be mailed, as well as where accounts are paid at regular stated intervals, such as monthly accounts.

Q. Are Credit Managers ever paid by commission on the business they pass?

A. No case of this kind has ever come to our attention. However, we understand that some Credit Managers receive a bonus where losses are kept below a certain figure,—in addition to regular salary. Others receive a salary and bonus based on the net profit of the business. It occurs to us that the latter plan is more feasible.

Q. What reading do you recommend to Credit Managers?

A. The Credit Man's Diary and Manual of Commercial Laws; the Bulk Sales Law (Montgomery); Effective Collection Letters, (Tregoe-Whyte); the CREDIT MONTHLY, official publication of the National Association of Credit Men. All of these should be in every credit library for ready reference. In addition to these, we recommend such books as are reviewed Monthly in "The Business Library" department by Dr. Frank A. Fall, of the CREDIT MONTHLY. A selected list of books of special value to Credit Executives may be had by writing to the Department of Education and Research, National Association of Credit Men.

Q. Is there such a thing as a good collection agency? From the experiences we have had, we have begun to think there is none.

A. I can readily appreciate your inquiry, as well as your attitude. However,

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ONE PARK AVENUE

After twenty-one years in the old New York Times Building at 41 Park Row, New York City, facing the City Hall, the National office of the National Association of Credit Men will be moved this month to One Park Avenue, a new building occupying the east side of Park Avenue between 32nd and 33rd Streets.

All the headquarters departments of the Association will be taken care of on the same floor (the tenth) except the Central Interchange Bureau Department, which remains at 510 Locust Street, St. Louis, Mo.

'Building Up Trade Through the Credit Department

By J. M. RUST

Union Oil Co. of California, Los Angeles

A T A recent meeting of the Business Service Executive Committee (Western Division) of the National Association of Credit Men, the Committee Chairman, J. M. Rust, of the Union Oil Company of California, Los Angeles, declared that Business Service "means a service rendered to our customers by giving them advice and counsel in the planning of their operations and conduct of their business, thereby persuading them to follow the lines which will necessarily contribute to a continuation of their business in a successful manner. In rendering this service to our customers we should continually bear in mind that unsuccessful merchants are not so unprincipled as they are incompetent, and they are not so dishonest as they are victims of circumstance."

Mr. Rust outlined the advantages of Business Service to the customer and to seller as follows:

Advantages to the Customer

- (1) Supplying the merchant contemplating entering business with data as to the marketing possibilities, location, and fundamentals of business methods in his particular line.
- (2) Establishing personal contact with the customer, ascertaining any internal difficulties which may exist in the customer's business, and by timely advice and suggestions avert financial embarrassment.
- (3) Building up between the selling house and the customer a closer spirit of co-operation, and through personal contact, a friendship between the buyer and the credit manager.
- (4) Increasing the purchasing power and credit responsibility of retail merchants by pointing out the value of keeping proper books of account, taking regular inventories, carrying adequate insurance, and rendering periodical financial statements.

Advantages to the Seller

- (1) Bringing clearly before the executives and sales managers the great business mortality among the customers and the attending expense of continually getting new customers. This business mortality can be greatly reduced and the expense of turnover in customers lessened by business service in the credit department.
- (2) The increased value of the Credit Departments to the houses by widening the scope of activities of the Credit Managers and educating them to a wider conception of their duties, and more intimate knowledge of economics and business fundamentals, whereby they may become a real assistance in promoting and increasing sales and in holding customers.
- (3) A better internal and closer co-operation between the credit and sales departments.
- (4) Breaking down the traditional feeling of misunderstanding and prejudice which has been often entertained by the customer toward the Credit Department.
- (5) Reduction of debt loss by anticipating and correcting financial embarrassment on part of customers.

Making Business Service Effective

- (1) Impressing upon chief executives of houses the increased value to the concern in making business service an important factor of the Credit Departments and the duty of Credit Managers.
- (2) Bringing the credit man to a realization that the application of Business Service is one of the best factors in business getting, and that the development of his own business knowledge coupled with the desire and ability to apply such knowledge, carried with it increased importance of the credit man to the house with which he

is connected, and a higher standing of the credit profession.

- (3) Impressing upon the customer the fact that business service is a sincere and genuine desire on the part of the seller to assist him in the general conduct of his business, and to give to the customer such advice and counsel as will enable him to secure maximum credit accommodation and the profits for which he is working.

Present at Meeting

Those who attended the Committee meeting on Business Service were: J. M. Rust, Union Oil Co. of California, Los

Angeles; E. C. Gayman, Sperry Flour Co., San Francisco; F. W. Black, Western Meat Co., San Francisco; C. D. Collom, Riverside Portland Cement Co., Los Angeles; Oscar M. Bryant, The Braun Corporation, Los Angeles; O. H. Walker, Edison Phonograph Distributing Co., San Francisco; Brodie Hamilton, Simpson Ashby Co., Los Angeles; B. B. Tregoe, Manager, Western Division, N. A. C. M.; Past National President Eugene S. Elkus, The Elkus Co., San Francisco; R. N. Carson, Carson Glove Co., San Francisco; F. S. Jeffries, Secretary, San Francisco Association of Credit Men, San Francisco.

Are You Getting Yours? What N. A. C. M. Member is Entitled to

By John W. H. Ross

Mgr., Membership Dept., Natl. Association of Credit Men



JOHN W. H. ROSS

TWO colored boys were driving along a road. One was an expert with the whip and he said to his companion:

"Watch me strike that leaf on a branch over the road."

He cracked his whip and the leaf was instantly destroyed. A little later his companion saw a bull frog on the side of the road, and said:

"See if you can strike the frog."

The whip expert snapped his lash again, and instantly the frog gave his last croak.

Further along the road they saw a hornet nest on the limb of a tree, and his companion said:

"Sam, see if you can hit that."

But the whip expert said:

"Not on your life my boy. A leaf is a leaf—and a frog's a frog—but *that's* an Organization!"

There are many people who do not realize, as Sam did, the power and influence of organization, not even of an organization with which they are affiliated. There are hosts of Uncle Sam's citizens who do not know what publications, which might be helpful or interesting to them, are available from the Government at Washington, free or at low cost. Likewise, there are members of the National Association of Credit Men who do not know exactly what printed matter their membership entitles them to.

The National Office publishes a *Special Bulletin* on the 5th of each month. The purpose of this bulletin is to keep our members informed regarding important subjects in the credit field, and this bulletin is sent in bulk to all local Associations for distribution to their members.

On the 15th of each month the Association publishes the *Vigilantia Bulletin* and *Washington Notes*, a two-page letter size pamphlet, containing information on legislation, judicial decisions, on various governmental departments, etc., gathered especially for the members of the local Associations of Credit Men and the direct members of the National Association of Credit Men. This information comes from various authentic sources through the Association's special representative in Washington and from others. This bulletin is sold to local Associations at cost (75 cents per 100) for their distribution to members, and two-thirds of the National membership now receive this service.

On the 25th of each month the Association publishes a *Service Letter* in bulk to our local Associations for distribution to their members and the purpose of this letter is to feature the various National departments so that local members will know what the National Association is doing and be in a position to make use of our various departments on occasion.

We believe the *Monthly Letter* of Executive Manager J. H. Tregoe a most valuable communication. It contains information relative to business conditions, crop conditions, and price trends. More than two-thirds of our membership receive this letter either direct or through their local Association. It is sent in bulk to local associations for their distribution at 1½ cents per copy or direct to members at 3½ cents per copy.

All direct or individual members of the National Association of Credit Men receive complete bulletin service as outlined above without charge.

Let me say this to every member of the National Association of Credit Men: This is your professional organization. You have contributed to its welfare and made possible its present growth of nearly 29,000 members. Your Association, therefore, urges you to broadcast the benefits you receive, not only to prospective members, but to present members who may not know the real value awaiting them on their credit problems through the use of our National Adjustment Bureaus and National Interchange Bureaus located in all the large cities. These bureaus are in reality a branch of your Credit Department, ever ready and at your command when problems come up in other cities. Make sure you are getting all the aids from your Association that it provides for you.



THE CREDOSCOPE

J. V. Tregoe

The Business of Merchandising and Agriculture

The running of a business enterprise and the running of a farm call for judgment and skill very similar in their fundamentals, because the chief objective in both fields is to make a success of the enterprise, and success is nothing more than satisfaction to the operators, the rendering of good service, and the making of reasonable profits.

In the business of merchandising some chances are not encountered that befall the farmer; but in both fields of effort if success is to be attained, the spirit of self help must be constantly in evidence, with an intelligent control of costs.

It would be regarded as unseemly, in the production and distribution of merchandise, to seek legislative assistance when there had been overproduction and the courses of the business were not running with entire smoothness. The dealer in merchandise, whether producer, wholesaler or retailer, is expected to meet contingencies firmly, to apply sound principles and to control costs.

I am convinced that what the agriculturist needs is not Congressional assistance but every encouragement and suggestion that will lead him to operate upon the same lines and careful forethought which distinguish the successful enterprises in the merchandising field.

Take for instance the heavy wastage each year in the marketing of cotton. This is one of our important agricultural products, and I venture to say that in marketing the crop of 1925, through the absence of care in handling and shipping, producers have wasted not less than \$300,000,000. Cotton must be protected from the weather, it cannot

be allowed to lie around, even when baled, without the proper protection. This is an illustration of one waste which the exercise of care can, at least, materially reduce.

Careful observers, I find, feel that agriculture will profit best if taken out of politics and the operators of our farm lands placed upon their responsibilities, just as we expect operators in the merchandising field to do.

A great deal of our wealth, a great deal of our prosperity, has come from the land. We must never neglect the very vital relations of our agriculture to the Nation's prosperity; and only as we control our agricultural enterprises on the same lines of skill and cost control that must surround merchandising enterprises, can we realize the best from the land and place our agricultural producers in the position their importance demands.

The Man

Show me an enterprise of distinguished success and leadership and I will show you a man whose imagination, daring and perseverance have made it possible.

In the successful fight of the thirteen colonies for political freedom, Washington was the man. In directing the Nation toward a successful and wholesome control of its financial problems, Hamilton was the man. In forging the way toward our high position in steel production, Carnegie was the man. Other outstanding men could be enumerated and many more who have not found their way into history or even public prominence have had the imagination, daring and the perseverance to make their enterprises achieve marked success.

In the preservation of our strong

commercial position, the man I speak of is not merely a manager. He is something more, as indicated in a book I recently read: "Many of the business men who have won fame as captains of industry have not been primarily capitalists. And here we begin to arrive at the very heart of the big business structure. Its essential element is not capital or resources or labor or monopoly, but men."

There is a strong incentive to be a man in any position we may occupy. It is far less difficult to be a machine, merely passing on the ideas handed to us and directing things in a mechanical way. The man I speak of has nothing mechanical about him. He is an explorer, daring in his exploits, with an imagination constantly stretching out to new ideas and a perseverance that never falters until objectives are reached.

In the Credit Department, the man is essential. There is something about the Credit Department which tends to make its manager very mechanical. To breast this tendency and make the position one of daring and imagination assures forward movements in credit work and a realization of those objects which we still find somewhat ahead. Reducing the waste in credit losses, helping along the deserving merchant, treating the commercial crook with a mailed fist, are not the results of mechanical work, but come from the daring and the imagination of a man who is somewhat more than a manager. He may be somewhat more than an executive, as we define an executive in the terms of today. The man I speak of finds real joy in exploring new fields, in reaching out to worthy objectives; he finds genuine sport in his work and has little thought or time for merely personal things.

It is very thrilling to feel the urge to be a man and yet it is an urge that everyone of us should feel in order that we may do our level best and contribute that best to the success of the enterprise or the work to which we have set our hand.

Friendly Liquidations

It was undoubtedly a very worthy inspiration of the National Association of Credit Men to emphasize the economic value of friendly liquidations and arrangements in insolvent and embarrassed estates. It was also a very deserving project of many local associations of credit men to set up Adjustment Bureaus whose chief purpose is to serve creditors and debtors in friendly arrangements and to do so with economy and strict fairness to all interests.

The creditor trusteeship in liquidation of insolvent estates has not always worked out to the advantage of everyone financially concerned. The impartial instrument, as represented by our Adjustment Bureaus, was better adapted to serve all interests alike and to see that entire justice was conserved in the treatment of insolvent and embarrassed debtors.

The Adjustment Bureau would naturally grow more proficient with the years as a humanly-controlled instrument. There would be at times errors of judgment; but on the whole creditors could place more reliance in the fairness and the skill of Adjustment Bureaus than could be expected of liquidating media operated for commercial purposes.

The Adjustment Bureaus have had to contend with serious opposition from some members of the Bar who either failed to recognize their purpose or feared their invasion of the professional field. They have had to meet some serious opposition from creditors themselves whose attitude did not incline toward the character of work the Bureaus were primarily intended to do.

We hold great ambitions for the Adjustment Bureaus. We feel their fundamental purpose accords with the economy and justice in the treatment of an honest debtor's affairs, and we are hoping for the time to come speedily when our members will use the Bureaus whenever they have difficult cases to handle and co-operate with the Bureaus whenever

they are financially interested in cases they have taken over for liquidation.

We recognize that this particular field of the Association's operations brings it into contact with seemingly competitive liquidating agencies; but on critical scrutiny shows clearly that in the friendly liquidation field,—a process we heartily endorse when debtors are above suspicion of dishonesty,—the Adjustment Bureaus have no competitor. They are built particularly for this type of service and,—while other forms of service have been added,—yet for friendly liquidation they are manifestly deserving of confidence and support.

The National Association of Credit Men has been authorized to exercise a careful supervision of the Adjustment Bureaus. The Association, through its Adjustment Bureau Department, is constantly in touch with the Bureaus. The Bureaus, in every way and manner possible, are aiming to prove their worth and to reach eventually the objective so zealously held out by the National Association.

I do not doubt that active and sincere co-operation generally with the Adjustment Bureaus for the promotion of friendly liquidations would materially reduce our credit losses, and this is an object to which all credit departments must bend their best and sincerest efforts.

When faced with a difficult debtor-problem, think of the Adjustment Bureau and use its good offices. When appealed to for co-operation by the Adjustment Bureaus, remember it is one of the important departments of your national organization and that it should be, freely accorded your sincere and complete support.

Consumers' Credit

The expression "consumers' credit," has of late gained a good deal of currency; but its meaning is not always clear. Credit is used for varying purposes, but its fundamentals do not vary. The term consumer must refer, I judge, to the individual who uses credit for the purchase of commodities, essential or non-essential, which he wants and will consume.

Using credit for commercial purposes introduces a new economy into our business and supplements money economy, which was insufficient for our industrial and business possibili-

ties. Credit thus used produces capital and wealth. It is a productive factor, and holds a legitimate place as a useful economy in our business enterprise.

Using credit for consumption purposes, where the medium will not produce income and has no productive purpose, is at the very best fraught with danger, because the fundamentals of credit economy are not complied with.

Consumers' credit, or what we are inclined to call individual credit, for consumption purposes, satisfies only the needs or the wants of the buyer and must be liquidated from sources other than the income produced by the credit itself. Credit thus used increases consumption at the expense of future and oftentimes uncertain income, and does not on the whole increase the buyer's purchasing powers measured in terms of money.

Building production through an artificial stimulation of consumption can not be permanent, but must some time have a reaction, with results most detrimental and wasteful to business.

If a family has a certain income, how can its rights or its happiness be expanded or bettered by offering it credit freely, when in the end the credit must be extinguished by money payments? We must, in order to be just, take our eyes just a little from the production and sales ends of the question, and consider not the consumer's credit, but his protection.

No element of business is more important to its prosperity than the right functioning of our credit machinery; and any effort to stimulate production or sales by an overstimulation of credit has but one eventuality, a flare-back that will make itself severely felt.

It is not a pleasant task to dispute the attitude and ideas of some of our leading business men on the subject of individual credit, and the granting of long credit terms; but our responsibility rests in the pointing out of dangers which lurk in this philosophy and the repeated incidents in our commercial history where the overstraining of credit and its improper uses have brought us into severe distress.

Our credit economy, through its wonderful facilities, is intended for the production of capital and wealth; but its uses for individual and consumption purposes should be most carefully guarded.

Oakland Executives Organize

Credit Group Joins N. A. C. M.

By G. N. Gates



HARRY J. HARDING



S. F. SEA



FRED. TRAIN

AT Oakland, Cal., on January 12, a meeting was held of local manufacturers, wholesalers, jobbers and bankers, for the purpose of forming the Oakland Association of Credit Men.

A Constitution and By-Laws were adopted at the meeting, and application was immediately made through the Western Division office for admission as an affiliated local body of the National Association of Credit Men.

On January 29, 1926, word was received from the Executive Office in New York to the effect that the Oakland Association of Credit Men had complied with the accepted policies, and had been

granted a charter as a local Association of the National body.

At the meeting on January 12, the following officers were elected: President, Harry J. Harding, Assistant Vice President, The Oakland Bank; Vice-President, S. F. Sea, S. F. Sea & Co.; Secretary, Treasurer, Fred Train, Assistant Cashier, Central National Bank.

The Oakland Association will also take in the adjoining cities of Berkeley, Emeryville, Alameda and San Leandro.

The officers and directors of the new Association feel that the problems in the East Bay District are to a great extent localized and that the formation of this new organization will go a long way

towards stabilizing credit conditions and build up a closer spirit of co-operation between credit grantors of Oakland and the surrounding territory.

Forty-four charter members have already been obtained and plans are under way for the formation of a membership committee which will devote its efforts to interesting 250 prospective members.

F. I. Bursley, Field Representative of the Western Division, will be made available to the membership committee of the Oakland Association to assist the committee in its work.

The February meeting of the Association was addressed by B. B. Tregoe, Manager of the Western Division of the National Association of Credit Men.

Answers to Credit Questions

(Continued from page 19)

I am obliged to inform you that there are reputable and efficient collection firms. A great many lawyers of good standing accept accounts for collection at the regular Commercial Law League rates. There are also a number of Adjustment Bureaus, as well as independent agencies, which accept collections. But care must be exercised in placing claims. Investigation should be made in the same way that you investigate the character and financial standing of your customer. Don't expect a collector to do the impossible. Outlawed, insolvent or bankruptcy accounts are seldom collected. Beware of the scheme guaranteeing the collection of these accounts,

also the plan offering accounts for sale.

Most concerns successful in commercial claims will accept claims on a contingent basis if you merely place the records of the transaction in their hands. Printed form letters seldom get results as compared with personal letters. That you are running a risk in allowing your accounts to be advertised by collection agencies, has been clearly demonstrated. Advertising of this kind is more profitable for the agency in getting new clients than collecting money for old ones.

The proven collection offices should be given the consideration due them. Where an account is placed for collection, a history of what has been done should accompany it, and every reasonable help offered. Judgment must be exercised in following up results. When good work has been done, don't be slow to show

your appreciation by a word of encouragement. Encourage the good collector, and shun the schemer.

Q. Will Credit Insurance ever take the place of the Credit Manager?

A. No, good credit insurance is based on the Credit Manager's efficiency in judging credit risks and safeguarding the receivables of his firm, otherwise the credit insurance could not exist.

Q. I sometimes hear the verb "check" used in connection with the giving of credit. Is it a common term?

A. In New York, it is in common use. For instance, "We check him for \$5,000"; or, "I check the order". West of the Alleghenies however, the word "pass" is used, as "Did you pass the order?" or, "The Credit Manager will not pass the order." In France they say, "They shall not Pass"; in Transylvania they just say "Check".

Frank G. Hathaway

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Capital, Competition and Monopoly

(Continued from page 11)

try competes with the cotton industry. If we did buy a cotton shirt and paid less for it, other industries would compete for the remainder. Any time that we have to choose between different things that are offered for us to purchase, the industries that offer these things are competing for our custom. There is competition in every stage of manufacture, from raw material right down to the finished product. At each stage the three agents of production—land, labor and capital—were used, so at every stage there were landowners, laborers and capitalists competing for employment. So long as the buyer has a choice and is not restricted to one source of supply, there exists what the economist calls competition.

But it works both ways. Competition to buy is just as general as competition to sell. Just so long as there is more than one buyer for any product, there will be competition among buyers. The competition of buyers tends to keep prices up, the competition of sellers to send them down. Normally however, there is greater pressure from the sellers as they have articles to sell and dispose of, while the buyers are not committed to anything; they are free to choose a substitute or some other object altogether. Briefly, our society, employing the division of labor, is a competitive society, using the word "competition" in its broadest sense.

The pressure of competition gives rise to a series of conflicting interests. The individuals of society compete with one another in two capacities, as producers and as consumers. The price one can get for what one has to sell depends on how many people want it and how much they are willing to pay. Similarly, as a consumer, one has to pay more for an article or service than if one were the only customer for it. Everywhere is found these conflicting interests commonly associated with the word "competition," and because they are so obvious, we overlook the community of interests that is created.

For, while the interests of the members of any economic group or class conflict within the group, they have a common interest in relation to other groups or classes. As Clay says, "They have a common interest in keeping up the selling price of commodity or service which the group has to sell, and in keeping down the buying price of the commodities and service which the group buys. All incomes depend on success in selling dear and buying cheap; competition, the existence of an alternative seller or buyer, is the obstacle to success. The members of each economic group or class therefore have a common interest in extinguishing or restricting competition within the group or class."

Combination to Reduce Competition

This common interest has led to formation of combinations and associations, which may be divided into two main classes according to their cause; combinations to reduce the pressure of competition in selling and combinations to reduce the pressure in buying. The former have received the most attention because they include trusts, monopolies and trade unions. Any kind of combination may restrict competition more or less but none can completely abolish it, for

immediately a monopoly is created and price is raised, a substitute will appear on the market and thus reduce the effectiveness of the monopoly. Public utilities must be exempted from this classification, because in their field competition is wasteful and unnecessary.

The more important, more general and more successful combinations are those to restrict competition in buying. Consumers' co-operative stores are becoming numerous and very successful, although they have made much more progress in Europe than in this country. Employers' associations to cut down competition in purchasing labor have had a rapid growth. All kinds of trade associations have been formed to deal co-operatively with the problems confronting the members of the association. The National Industrial Conference Board says it is fairly safe to assume the existence of between 800 and 1000 trade associations of national or interstate character at the present time, although the list of local organizations issued by the Department of Commerce in 1923 contained 7700 names. All these organizations were not formed for the purpose of eliminating competition in buying, but in a majority of them their object is to get co-operation between their members to eliminate internal competition and assist them in competition with other groups.

Public ownership is an important form of association of consumers for co-operative purchasing. Since the municipality is simply the consumers in their political capacity we may say that municipal ownership is co-operative ownership. Profits result in decreased taxes. Only in so far as the consumers and taxpayers do not coincide, so that profits made out of the consumers and distributed in relief of taxes are not being paid back to the consumers, is the co-operative movement principle being infringed. Finally, then, as Clay says at the end of chapter VI, "Association, or co-operation, is as common in the present organization of industry as is competition. The description of the present organization as 'the present competitive system' is justified by the reliance which the community places on competition to insure an equitable distribution of wealth. But the common sharp opposition of competition and co-operation is misleading, since competition is constantly inducing members of the same economic group or class to associate or co-operate, and much co-operative organization is for the object of enabling members to compete more effectively."

Monopoly

Co-operation to the end that the supply of any product or services became under control of a single agency would be a monopoly. H. R. Seager in his *Principles of Economics* gives the following classification of this type of organization:

1. Legal monopolies.
2. Natural monopolies.
 - a. Of situation.
 - b. Of organization.
3. Capitalistic monopolies.

In the first group are public monopolies such as tobacco in France, the Post Office in this country and the railways in Europe. If they serve their purposes well and on a basis of economy and efficiency their monopoly organization is likely to benefit, rather than be detrimental to the public interest. Private legal monopolies

embrace such commodities as are covered by patents and copyrights and are given to stimulate creative effort in inventors and authors.

Natural monopolies of situation are those which grow out of ownership or control of restricted natural resources or locations. Their number is not great, but includes the diamond syndicate in South Africa and the anthracite coal combination in Pennsylvania. By tacit, if not by open, agreement, prices reached a uniform and relatively high level.

In the class of natural monopolies of organization are those firms that are the outcome of technical considerations that make it wasteful for more than one company to supply one market. This class includes the utilities—water, gas, electricity, street cars, telephones, etc. Competition between two organizations of the same field would be destructive because of the enormous capital outlay necessary to start such a business. The inevitable result is that the larger and more powerful rival overcomes and absorbs the weaker, or an agreement eliminating competition between them is arrived at. Either way the result is a monopoly.

Capitalistic monopolies are those huge business organizations whose monopoly power grows out of the large aggregations of capital which they control. One of the primary motives for the formation of such a monopoly or "trust" is to eliminate competition among sellers which tends to keep prices down. With less competition and higher prices, profits will be higher. But, besides the hope for monopoly profits are the possibilities of eliminating some of the wastes of competition. Although the trusts were charge with raising prices, with ruthlessly stamping out competition, with issuing large quantities of watered stock and with corrupting politics to further their own ends, they claimed to have effected real economies. They claimed to be reducing overhead expenses, they were eliminating cross freights by filling orders from the plant nearest to the delivery point, they were specializing the plants themselves and were utilizing by-products more completely, they were eliminating a lot of expensive competitive advertising and were reducing the fluctuations of seasonal production. Doubtless there was much real good mixed with the bad.

The formation of monopolistic combinations has been aided by these favorable factors: 1. Narrow localization, 2. Restriction of competitors, and 3. The tariff. The formation of the combination is facilitated if the firms to be combined are situated close to each other and the industry is localized. Combination is favored if the industry is one where large scale operation is necessary and the number of competitors is limited because of the tremendous amount of capital necessary to engage in the industry. The steel industry is an example of this. Competition may be restricted, too, by a natural scarcity such as exists in the petroleum industry. A protective tariff, by eliminating foreign competition, facilitates combination. The history of the Sugar Trust illustrates this. The high protection afforded to the industry encouraged such a rush of capital into it that competition within the protected market became much keener than competition outside; excessive competition led to price-cutting and loss, and encouraged the competing firms to combine

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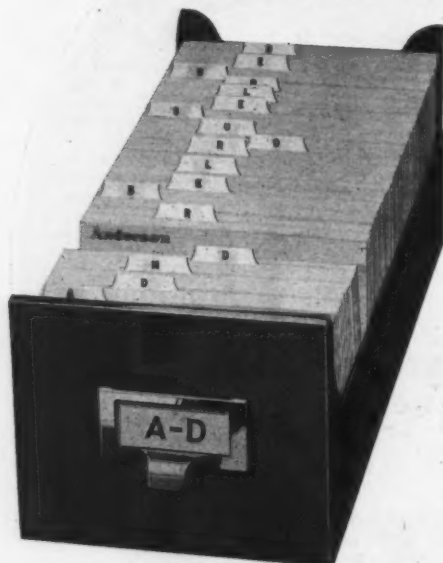
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as the only means of preventing bankruptcy. This excessive competition is illustrated by the fact that the Sugar Trust closed seventeen of its twenty-three refineries almost as soon as it was formed.

The difficulties of monopolistic combination are the difficulties in internal organization and the fear or possibility of substitution and potential competition. If the monopoly is an amalgamation and over-capitalized, ordinary good management is not sufficient to produce dividends. One of the difficulties of a large concern is that the task of management is out of all proportion greater than in a smaller one. At the same time there is the risk of putting all of one's eggs in one basket. Clay says, "The great Steel Trust was formed to remove Mr. Carnegie from the industry before he had absorbed the whole of it; having achieved their object and removed Mr. Carnegie, the promoters were unable to find anyone who could do the work which Mr. Carnegie had been doing; men who can organize from one center the whole of a great industry are difficult to find. The mammoth business in competitive industry is usually based on exceptional ability, and industrial combination is no adequate substitute for such ability. Henry Ford standing alone has been the envy of every trust promoter."

A monopolist attracts competition first by raising prices or doing anything else to suggest big profits, and second by the alternative hope that the monopolist will be induced to buy out the competitor at a high price, if the competition forces prices down. In addition to this, even if no competitor does enter the field, if prices are maintained at a high level, someone will bring forth a substitute for the product at a much lower price. An oil trust must not raise its prices to a point where its consumers will be induced to substitute gas or electricity.

The advantages of monopolistic combination have already been mentioned, the advantage of quantity or larger-scale production, the elimination of competitive wastes, the economies of greater specialization, and so on. The present day tendency seems to be to let the trust alone as long as it "behaves," and only to have government interference if it is necessary to keep the consumers from being imposed upon. There is no hard and fast line of demarcation as to when a trust is or is not objectionable, as is attested by the recent discussion on the aluminum situation.

Mr. Broudy's article next month, the fourth of the series, will touch on the subjects of money, our currency system, the importance of a medium of exchange, banking and credit, price levels and inflation.

Credit to Be Discussed at Foreign Trade Convention

C. C. MARTIN, National Paper & Type Co., and Ernst B. Filsinger, Lawrence & Co., of the Foreign Credit Executive Committee of the National Association of Credit Men, and D. W. Fernhout, International Manning Abrasive Co., will be active in the conduct of the group session on the subject, "Is Credit Necessary of Export Trade?" at the National Foreign Trade Convention at Charleston, S. C., April 28-30.

Leased Departments in Stores

(Continued from page 14)

plan to have it appear that the department is operated separately, therefore the owner must be responsible to the customers of the store for the lessee. The advertising is placed under the name of the store, and the quality of the goods as well as the methods of merchandising must be in keeping with the policy of the store.

All these things must be embodied in the lease and drawn up in such a manner as to guarantee the operation of the leased space, in keeping with the remainder of the store.

There are countless things to be considered. For instance, the manner of displaying merchandise by the lessee, the use of the store name, the proper accounting of sales, both cash and credit, (where a percentage of sales goes to the owner), the deliveries to customers, the care of premises, the type of fixtures, the handling and storing of stock, insurance, workmen's compensation, and numerous other matters that, because of the direct relation the leased department bears to the rest of the store, must be so arranged for in the contract or lease as to protect the owner at all times; any violation of the provisions of the contract allows the owner to cancel the lease.

The duration of the lease is usually for one year; however, some are for a period of three with the privilege of more, but seldom do they run over three years.

While there seems to be no standard form of lease, those on record, while decidedly in favor of the owner, can hardly be otherwise looked upon from the viewpoint of the owner.

It is obvious that two very important elements enter into the desire on the part of retailers to lease departments of their businesses: first, the lack of capital and, second, though not the less important, the lack of capacity. Thus it is necessary for the lessee to have the lacking elements, the licensor supplying the market with no guarantee to the lessee that success will mean the indefinite occupancy of the space, but on the contrary, in all probability the termination of the lease.

The high rentals of the downtown section, together with the increasing overhead, will eventually eliminate a number of dealers formerly occupying these sections, but it must be pointed out that the retailer can not solve his problem of high rents and overhead by maintaining unprofitable departments, whether they be at the expense of his tenants or under his own management, and if a loss is sustained in the experimental stages of a department, regardless of the one bearing the expense, it is an economic loss and must be charged to the cost of operating at that location. In other words, if one department is made a success by virtue of the fact that another department acts to create a market for that department, the successful department must show a profit sufficient to absorb the loss of the unsuccessful department as well as a satisfactory return on the investment of both departments. It will be readily seen that the unprofitable department can not be made a profitable one by leasing unless it is a highly specialized department which could be operated at a profit by specialists in that line.

Insurance as Credit Collateral

(Continued from page 12)

lion's share, nearly \$12,000,000,000. The assets of the fire and marine companies exceed \$2,000,000,000, and the remainder is made up by the companies writing casualty, surety, liability and similar miscellaneous lines.

In this country there is approximately \$72,000,000,000 life insurance in force of all kinds, covering about 55,000,000 persons.

The closest estimate of the fire and marine insurance business is found in the statistics of 343 joint-stock and mutual fire and marine companies reporting to the New York insurance department for 1924. This shows gross risks written during the year of \$249,917,000,000—that

is, property values covered—and \$167,411,000,000 in risks in force at the end of the year. These figures probably represent 90 per cent of the nation's total. This is not only fire insurance proper, but also includes ocean marine and inland navigation insurance, windstorm and tornado insurance, hail and flood insurance, and all other lines written by fire companies, such as sprinkler leakage, earthquake, riot and civil commotion, tourist baggage and crop insurance.

The insurance organizations writing casualty, surety and other similar lines now have an annual premium income of approximately \$650,000,000. Because of the necessarily indefinite nature of these contracts it is impossible to state the amount of the risk involved. These companies have shown a remarkable growth during the last two decades and now are rapidly



AMERICA'S TRADE CURRENTS

FROM San Francisco, New Orleans, Boston, Chicago—
—from every commercial center of importance in the United States and in the world—currents of trade flow to and from and through New York.

In this commerce, the interests of the banker and the merchant or producer are inseparable and interdependent. Let business suffer and banking feels the effect; when trade prospers both banker and customer profit thereby.

The Irving-Columbia's Out-of-Town Office is a contribution to the promotion of commerce. This Office, in the Woolworth Building, New York City, is a banking unit devoted to facilitating the business interests of customers in the United States outside of New York.

Its officers, by maintaining close personal contact with all parts of the country, keep constantly informed on business conditions in various sections, and thus are able to give each transaction that quality of understanding so important to the customer's interest.

Possessing in its own organization every banking, investment and trust service, the Out-of-Town Office, for all customer purposes, is a complete bank in itself. And it offers to customers all the facilities, world-wide connections and total resources of our entire institution.

IRVING BANK-COLUMBIA TRUST COMPANY

New York

gaining on the fire companies in annual premium income.

The value of insurance as an institution, however, cannot be measured by mere figures. No direct balance sheet of profit and loss can be produced. No statistical summary can correctly apportion its worth or the supreme benefits which accrue from confidence, safety and protection as factors in the industrial, social and economic life of the Nation. One can no more appraise the influence of insurance by the risk assumed and the losses paid than he can appraise the influence of the church by the number of its conversions and the amount of its collections.

I have tried to give you as briefly as possible some slight idea of the importance, magnitude and economic value of the institution of insurance because I feel that those who may have to deal with it ought to know something more about it

than the fact it exists and that various kinds of insurance protection may be purchased on the market with the same ease as boots and shoes. One can never appreciate or understand a business without some knowledge of its economic and social background.

The chief practical interest in insurance, however, of those engaged in solving the problems of credit and finance has to do with the kinds of insurance protection offered which are applicable to the particular situations with which they are or may be confronted. There is nothing new in saying that insurance is a credit fundamental. That is axiomatic. But the traditional hook-up between insurance and credit has been through fire insurance alone, an error of omission which I am glad to say is being rapidly corrected. *Fire insurance of course is a credit fundamental, but it is now well understood*

by credit executives generally that there are many other insurance lines which also are of major importance.

In this connection I think it is quite evident that one of the great factors in the development of the world-wide exchange of commodities and service which has dominated the economics of the last century has been the modern system of commercial credits. And it is also equally evident that this development would have been possible only in a limited way had it not been for the protection offered to capital by the institution of insurance. Indeed, if adequate and certain protection of persons and property by insurance had not been possible, credit would still maintain its ancient status and only would be extended on a pledge of definite property accompanied by usurious interest exactions. For centuries the idea prevailed that "the borrower is the servant to the lender." In our time, however, the lender is just as often the servant to the borrower. Mortgaging and pawning in the realm of commerce has been to a great extent superseded by mutual confidence, and that confidence has been translated into terms of commercial certainty by insurance. And that is why I said earlier in this article that insurance has taken credit out of the pawn shop stage of its history, and why I add that insurance has been a great aid in making a great department store out of it where all the world may shop.

In later articles in the CREDIT MONTHLY I am going to discuss a few of the insurance lines in which credit executives and those engaged in similar line of work have a particular interest. There are three great branches of the insurance business, classified as (a) life, (b) fire and marine, and (c) casualty. Each of these has many subdivisions and each of these subdivisions has a definite relationship to the credit structure, although it may often seem remote. Naturally, I must pick out a few of the lines of insurance which have a more or less general application to credit, and leave the rest for investigation by those who may need these lines of protection to meet some special case or situation. Here I will take up life insurance only.

Life Insurance

From the standpoint of credit, life insurance is growing in importance daily. Not very long ago Credit men seldom inquired as to the life insurance carried by business men. Now such an inquiry is quite usual. In fact, at a recent convention, the National Association of Credit Men advised that the key men of industrial enterprises should be insured for the benefit of the concern. This doctrine has been preached by insurance agents for years and this preaching seems to be bearing fruit. The practice of carrying insurance on their key men has indeed been adopted by some of the largest corporations as well as by some of the smallest, and it is growing.

There are many illustrations of the importance of such insurance from the viewpoint of credit. Only recently the head of a large department store in the middle west died leaving life insurance of \$1,000,000 payable to the firm. He was the key man of that institution, and had it not been for this available cash to tide over the readjustment period—which coincided with the business slump of 1921—the firm might have suffered severely.

Not very long ago a large manufacturing concern in New England went into

It Supplements, Not Supplants, the Credit Man

When a new ocean liner is built, it may be the last word in strength, power, efficiency, luxury. It may be so staunch and sturdy as to be proof against storms and dangers of almost every sort. Yet the owners would not for the world send that vessel out without a *captain*—without the most experienced, competent captain they could find.

So, in business, when a firm buys

Credit Insurance

as the last word in credit protection, it would not even think of operating without a credit captain—the Credit Manager.

In fact, the latter's keen and seasoned judgment, and his personal ability and experience, invariably help credit insurance to function at maximum efficiency.

Leading Manufacturers and Jobbers are finding that the real way to save money in their credit department is by *backing up* their credit manager with a policy of American Credit Insurance.

**The AMERICAN
CREDIT-INDemnITY Co.**
OF NEW YORK J. F. McFADDEN, President

Offices in all Leading Cities

New York, St. Louis, Chicago, Cleveland, Boston,
San Francisco, Philadelphia, Baltimore,
Detroit, Atlanta, Milwaukee, Etc.

bankruptcy most unexpectedly. It always had enjoyed unchallenged credit and the failure caught many Credit Managers unawares. It appears that shortly before the bankruptcy the founder of the firm and its guiding genius died suddenly. He had just inaugurated an elaborate extension program, had incurred large obligations in financing the work, and had failed to confide the details of his plans to his associates. His death brought confusion, loss of business and a sudden demand for cash which was not available. Before long dissension among the new managers and owners brought about the filing of a bankruptcy petition by one faction and the end of a great business. Had the founder of the concern been provided with life insurance payable to it on his death there would not have been any such catastrophe.

The reasons why corporation or partnership insurance is often advisable as compensation for the loss of the master mind of a business, have been summarized as follows.

1. To safeguard the credit of the concern.
2. To tide over the shock following the death of some man vital to the business and to compensate for the additional expense of finding and training a successor.
3. To protect endorers of company paper.
4. To protect a business against the death of one who is backing it financially.
5. To protect special debts or obligations of business.
6. To provide a fund, which if desirable could be used in acquiring the deceased's interest in the business for the survivors.
7. To provide a fund which in extreme cases will make liquidation easy.
8. To give an incentive to create a special surplus fund for cash asset.

It is not only big business that needs life insurance to build up and maintain credit. Some small business enterprises need it just as much, if not more. This is particularly true of the one-man business. Small merchandising and manufacturing enterprises are often built around a single individual, and when he dies the business often dies with him, with painful results for the creditors.

There are of course many other phases of life insurance which touch on credit. It seems sufficient to add that life insurance is a very valuable asset and the protection it offers should receive the most careful consideration by all credit executives.

Credit Granting Abroad

(Continued from page 10)

Fernando de Apure. According to his location and the size of his business, he will call up a picture more or less like this: His store is in the lower part of his house, with high ceiling, and entered by large doors, through which are glimpsed shelves filled with textiles and comestibles; lamps, tools, and harness hanging from the rafters; bins of rice lined up against the walls; perhaps a storeroom where are received the loads of produce which he may buy. Perhaps, in a well lighted section, he may have an assortment of glass and crockery.

To the doors of this establishment come the people from the hills, the plains, the seaside, often after two or three days' journeying on foot, on horseback, by boat.

These people must live, they must have tools, they need the things that will go to make the village fête a success, or establish them in a better social position. The season may not have advanced properly—it may be the time before the harvest—but your customer must have the goods for them or he will not be able to do business. He has to order in advance many varieties of goods to fill these needs, to buy the raw products we ourselves need for similar wants. He must keep a stock in off seasons to meet the demand when crops may be good. And he needs credit on which to fulfil this function. Otherwise, he will send his business to a competitor either of our own nationality or of another. Unless the growers are sure of a market, they will cease producing and we may find ourselves deprived of our breakfast coffee or cocoa, or else obliged to pay higher for it. Credit keeps our own supplies continuous.

And what is true in Cali or San Fernando de Apure is true in Callao, or Cuco, or in far away Cagayan de Misamis, P. I. The big wholesaler in Lima or Manila may not do business in this way, but he depends on the man who does.

We may now consider how we are going to get a line on our applicant to see what his part is in the economic scheme and how he fulfils it. First, we may secure from some one of the well known commercial agencies a report, the chief value of which is historical, at least, so the writer believes. From a commercial report we learn the name or names of the owners of the business, their antecedents, where the capital was secured, whether by their own efforts or by inheritance, how



The company which is equipped to settle its claims quickly is the logical carrier of your

Fidelity Insurance

The U. S. F. & G. Company has over sixty claim offices—from the Atlantic to the Pacific and from Canada to Mexico.

UNITED STATES FIDELITY
AND GUARANTY
COMPANY

Baltimore, Maryland

Maintains a department of
Guaranteed Attorneys which
renders unexcelled service to
merchants and manufacturers.

Globe & Rutgers Fire Insurance Co.

HOME OFFICE: 111 William St., New York

Issues policies against

Fire Marine Tornado Earthquake Flood Hail Explosion
Transportation Hazards Riot and Civil Commotion

Also writes AUTOMOBILE INSURANCE against

FIRE, THEFT, COLLISION, Etc.

JANUARY 1st, 1925

Assets as of January 1st, 1925	\$60,654,703.06
Capital	3,500,000.00
Surplus	19,810,623.92
All other Liabilities	37,344,079.14

E. C. Jameson, President
W. H. Paulison, Vice President
J. D. Lester, Vice President
A. H. Witthohn, Secretary
A. G. Cassin, Asst. Secretary

Lyman Candee, Vice President
J. H. Mulvehill, Vice Pres. & Sec.
W. L. Lindsay, Secretary
G. C. Owens, Asst. Secretary
M. J. Volkman, Local Secretary

the business was built up, and what is the local authorities' estimate of it. The agency reports on these points are absolutely to be relied upon. In reading some reports on Chinese houses in Jamaica, the West Coast of Mexico, and Peru, the writer sometimes feels as though he knew the owners. Some idea of the size of the business is given. The fact that a statement is lacking need not militate against the applicant. Some of them are too honest and too unskilled to know how to make one up.

But the agency reports naturally lack up to date details. We must go further afield, and we have the local banks as another source of information. Here we can get a light on the applicant's capital and paying habits, but the banks are, naturally, inclined to be rather non-committal and few are as frank as the one that reported:

"The subject could pay his bills better if he could be satisfied with a cheaper car than the one in which he runs around."

That comment made the terms sight draft, with documents. Sad to relate, there have been cases where a bank has felt it proper to bolster up the reputation of a customer who had got rather deep into the bank's own books. Even bankers are human and sometimes give credit a little injudiciously.

The ledgers of the exporters of this country are the depositories of a vast amount of valuable information on the actual buying and paying habits of customers, with many sidelights on their methods. And, as a rule, the fraternity of exporters is generous in giving of their store of information and time. Incidentally, we all should express our appreciation of that firm which makes its inquiries

on a form which can be readily filled out, thereby doing away with the labor of inditing a formal letter.

Surprise has often been expressed by foreign firms at the generosity of the American business man in giving of his hard won experience to other firms, even to competitors. Rare, indeed, is it to receive a refusal to furnish the information requested. And those who do refuse lose more than they gain. In commerce, as in other phases of life, it is true that "It is more blessed to give than to receive." Not only does there come a feeling of satisfaction in helping another, but in some mysterious way the fraternity learns who will and who will not impart his experience. And it may be that a firm which has the reputation of closeness may lose many a clue to changes in the status of some customer which might have saved it money. A swarm of inquiries on one house this last summer roused the writer's suspicions, but they came too late to withhold the shipment, although not too late, he hopes, to have been a danger signal to some of the inquirers.

Credit Interchange Bureau

But direct inquiries on the exporters may lead one astray. The applicant may be referring to some house with which, for some reason or another, he keeps in good repute. Moreover, it entails much labor and the credit manager has to work as with a jig saw puzzle to get the picture of the debtor merchant correct in all the details he wants and needs.

To surmount this difficulty, the American exporters have devised an institution which is peculiarly national in character, the Co-operative Credit Bureau, the first of which was the Foreign Credit Interchange Bureau. Greater than all the other sources of information, it brings into one report most of the advantages of the other sources. It may be likened to a river which bears from hill and forest the deposits that, in the level lowlands, will build up a fertile plain. In its reports we find a cross section of the experience of our friends and brothers. The information is as complete as possible with many little notes giving valuable sidelights on the customer.

The credit executive can give his information here without the bug-a-boo of a competitor. The component parts of the report are apt to be a little more disinterested than if the giver knew to whom he was giving it. In fact, using the bureau properly requires as much attention to the subscriber's reply tickets as to the reports when they come in. Just the other day, a consistent attention during five years to the reply tickets on a certain firm brought up to date information on a customer that made possible the acceptance of an order without the expenditure of a nickel.

With the Foreign Bureau report, the careful credit grantor can decide with very fair prospects of success what will be the result of his concession to the applicant in the matter of the time wanted. One can read in the illuminating notes information that may clear up some uncertainties. One even learns when to put a little salt on a report which is too favorable or too much the other way. With one's own experience in mind, one can see where perhaps the unfortunate experience may have been as much the fault of the seller as of the buyer. Are there any firms which have not had occasions when non-payment was as much a matter of misunderstanding as of dishonesty on the part of the customer? Have there not been concerns that have paid bills from

(Continued on page 36)

Constructive Auditing

An independent audit is to be regarded always as the means to valuable advice from the auditor or auditing firm.

Too often, auditing service ends with the report of the financial condition of (name) as of (date).

Auditors should be equipped—and should be employed—to offer recommendations in connection with method, policies, financing, etc.; to furnish comparative statistics intelligently prepared; to point out how mistakes and waste may be eliminated, and pitfalls avoided.

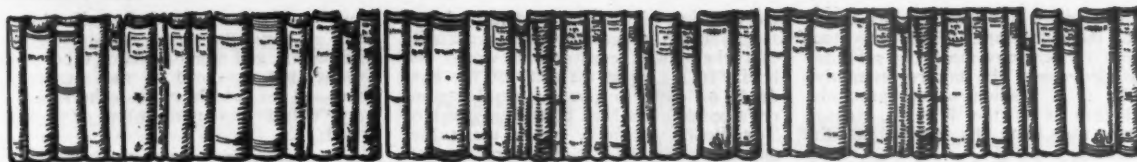
Of course, every audit should be a *Detailed Audit*. But whether it be *Detailed*, *Semi-Detailed* or *Balance Sheet*, it can, and should be made to, serve as the basis not only of the financial report, but also of constructive help.

With the business man's appreciative understanding of this help, and the cooperation of progressive Public Accountants, Auditing becomes *Constructive* and offers its greatest value.

ERNST & ERNST

ACCOUNTANTS AND AUDITORS
SYSTEM SERVICE

NEW YORK	CLEVELAND	DETROIT	MINNEAPOLIS	NEW ORLEANS
BUFFALO	CINCINNATI	GRAND RAPIDS	ST. PAUL	JACKSON
ROCHESTER	TOLEDO	KALAMAZOO	DAYTONPORT	MIAMI
BOSTON	COLUMBUS	PITTSBURGH	ST. LOUIS	TAMPA
PROVIDENCE	YOUNGSTOWN	WHEELING	KANSAS CITY	DALLAS
PHILADELPHIA	AKRON	ERIE	OMAHA	HOUSTON
BALTIMORE	CANTON	CHICAGO	DENVER	FORT WORTH
WASHINGTON	DAYTON	MILWAUKEE	SAN FRANCISCO	SAN ANTONIO
RICHMOND	LOUISVILLE	INDIANAPOLIS	LOS ANGELES	WACO
	MEMPHIS		ATLANTA	



The Business Library

By Frank A. Fall, Litt.D.

Director of Education and Research, National Association of Credit Men

Uncle Sam—Statistician

THE STATISTICAL WORK OF THE NATIONAL GOVERNMENT. Lawrence F. Schmeckebier, Ph.D. Johns Hopkins Press, Baltimore. 1925. 574 pp. \$5.

Since the Constitution provided for an enumeration of the inhabitants within three years after the first meeting of Congress, the statistical work of our National government is virtually as old as the government itself. The decennial census, established for the purpose of apportioning representatives among the states, has steadily expanded until it now covers many of the outstanding features of the economic and industrial life of the nation.

In the introductory chapter of this most timely volume Dr. Schmeckebier brings out the fact that immediately upon the organization of the government the Treasury Department began the collection and publication of statistics relating to the national finances and foreign trade, although definite provision for the publication of trade statistics was not made until 1821. Until after the close of the Civil War the import and export statistics of the Treasury Department and the work of the decennial censuses constituted practically every statistical activity of the government. But in later years not only has the Bureau of the Census (made a permanent bureau in 1902) been entrusted with the periodical collection and publication of a wide range of statistical data; but other bureaus which have been established primarily for the study of economic, social and scientific problems have to an increasing extent published statistics dealing with matters under their jurisdiction.

This volume, while bearing the imprint of the Johns Hopkins Press, is a publication of The Institute for Government Research, in its "Studies in Administration" series, which now includes an even dozen titles. The purpose of the book is to indicate what statistics are available and where they may be found. The general arrangement of the material is by topics. Where statistics might reasonably be classified under either of two headings, the material is placed arbitrarily under one head and a footnote is provided for purposes of cross-reference.

After an introductory chapter and one on general summaries of statistical data, the author describes the sources and the distribution of government statistics on population (including negroes, Indians, Chinese and Japanese); dependents, defectives and delinquents; immigrants and emigrants; occupations; births, deaths, diseases and accidents; marriage and divorce; religious bodies; labor and wages; women and children; general agricultural conditions; production of crops; livestock and livestock products; minerals; fisheries; and the production of manufactured articles.

Subsequent chapters cover statistics on imports and exports; transportation on land and water; domestic commerce; water and electric power; prices; public finance; money and banking; income and national wealth; non-contiguous territory and foreign countries.

This volume will naturally not compete with the "best sellers", but every man or woman whose work requires familiarity with statistical data will bless the author for assembling the material, and the Institute for publishing it in such usable form.

Montgomery on Taxes—1926

VOL. I. INCOME TAX PROCEDURE—1926; VOL. II. EXCESS PROFITS, ESTATE, GIFT, CAPITAL STOCK TAX PROCEDURE—1926. Robert H. Montgomery, C.P.A. Ronald Press Co. N. Y. 1926. Vol. I, 1995 pp. \$12. Vol. II, 853 pp. \$6.

If tax legislation continues to pile up, and Col. Montgomery retains his health, we shall live to see an annual tax publication approximating the dimensions of

the Encyclopaedia Britannica. For this year, fortunately, two volumes appear to suffice.

Of the new material appearing in the 1926 manual, one feature that will be welcomed by all who have to wrestle with tax matters is the full presentation of Board of Tax Appeals decisions and practice. Another is what the sponsors of the manual offer as the only complete treatment in print of Excess Profits Tax procedure from 1917 down to 1926. Revolutionary developments during the past year make this feature of vital importance to every company that paid this tax.

In the 1926 edition, whenever present practice differs in important respects from that under the 1921 and prior laws, footnotes give the facts concerning the law and procedure that formerly obtained. Thus the 1926 manual may be used as a guide for questions on old returns.

Making out the annual tax return now constitutes but a part of the tax man's work. He must be prepared to handle

Nationalize Your Credits

Credit Insurance

PROGRESSIVE manufacturers and wholesalers are no longer satisfied to assume any unnecessary risks in the extension of credit.

As the first step in protecting their business against bad debt losses, they enlist the services of a credit man. He alone is equipped to control the extension of credit at its source.

Then, to give his decisions the weight of final judgments, they back up his efforts with a National Policy of Credit Insurance. This places behind their outstanding accounts the guarantee of the World's Largest Surety Company to prevent, else pay, all bad debt losses in excess of normal and sets a limit beyond which such losses cannot go.

Ask for Details of Our Credit Insurance Policies

National Surety Company

WM. B. JONES, Chairman

E. A. ST. JOHN, President

E. M. TRENT, Vice President

115 Broadway, New York

Agencies in All Principal Cities

appeals, reviews and hearings as necessity for them develops. When important decisions (which may mean big refunds) are handed down, the tax representative must be in a position to act promptly, and before it is too late to recover amounts that may be due from the government.

It is difficult to see how the average accountant or executive can meet these continually changing conditions without some dependable authority to check the various steps as they are taken. That Col. Montgomery is dependable is a fact well known to the leaders of American business today. In many cases he has disagreed with the Treasury Department's

construction of the law, and has advised taxpayers to proceed on the probability that the official construction would not hold. In the great majority of the hundreds of cases involved, Col. Montgomery's opinion has been upheld by court or Tax Board decisions, or by the subsequent reversal by the Treasury Department of the rulings in question.

Users of this manual from year to year should realize that its utility by no means disappears with the filing of the return. Each year's edition should be carefully preserved with the working papers for the year. Then, in case a return is ever questioned, or if changes in interpretation of the law entitle the tax-

payer to claim a refund, he will always have at hand the exact rulings, recommendations, and memoranda of other conditions that governed at that particular time,—all of which might otherwise be very difficult to reassemble or reconstruct.

Business Co-operation

TRADE ASSOCIATIONS—THEIR ECONOMIC SIGNIFICANCE AND LEGAL STATUS. National Industrial Conference Board, N. Y. 1925. 388 pp. \$3.

In this volume the National Industrial Conference Board presents the results of what is doubtless the most thorough and comprehensive study yet made of the modern machinery for business co-operation known as the trade association.

The purpose of the investigation, conducted by the Conference Board's research staff, under the supervision of the Staff Economic Council, was primarily to describe the development and test the economic soundness of the laws regulating business organization, trade relationships and market conduct in the United States.

The bearing of these laws upon industry and trade, as stated in the report, is threefold. They affect the structure and organization of business enterprises; influence the relationships of independent business concerns; and control the business methods and practices of separate, associated or combined business interests. Accordingly the Board believes that the anti-trust laws should be regarded in their relation, first, to the consolidation and combination of business interests ("trusts"); second, to the looser forms of organization and co-operation among separate business interests, of which the trade association is the type; and third, to the specific business methods and practices of business competitors, which come under the surveillance primarily of the Federal Trade Commission.

This volume deals with the second of the three main aspects of these laws. It concerns the question of the legitimate limits of co-operation among independent business enterprises in the form of voluntary associations among trade competitors. Inasmuch as the trade association has become an outstanding feature of modern business, a clear understanding of its economic functions and a clear definition of its legal status would appear to be of signal importance to American economic development.

This is unquestionably a significant book, in spite of (or possibly because of) certain definite limitations. It is not a guide to business executives or trade association officials as to what may or may not be done under the existing rules of law. It is not designed to serve as a manual of trade association activities, such a manual having already been published by the United States Department of Commerce. It does not attempt to provide a full description of the organization, conduct and work of trade associations in general, or of specific associations. It is concerned with the economic functions involved in specific trade association activities, rather than with the activities themselves. It is designed as part of a broad study of public policy in relation to the economic processes which underlie American business, and it reviews legal doctrines and surveys the practical accomplishments of trade associations only in relation to this general purpose.

Of special interest to credit managers is Chapter X, which deals with the in-

A Note to Employers of Labor

Dear Sir:

Is there really such a thing as good will between employers and employees?

Sometimes it seems as if such a thing were impossible. The employee sees that you, with your larger money rewards, are building up future security for yourself and your family. He is most often unable to do that, although he wants to do it as much as you do.

But this particular barrier to good will is not insurmountable. 9,000 companies in the United States have climbed over it by protecting their 3,000,000 employees against death and disability through Group Insurance.

This means that your employees can be insured under a single contract, without medical examination, for amounts ranging from \$500 to \$10,000, according to their positions.

It should need no argument to convince you that it is worth considering this method of making the road smoother for your dealings with those you employ.

We have prepared a booklet, "Group Life Insurance," describing in detail three ways of protecting your employees under this economical plan. We should be pleased to send you a copy.

Truly yours,

John Hancock
LIFE INSURANCE COMPANY
OF BOSTON, MASSACHUSETTS

Bookkeeper's Journal

Edited and published for the benefit and advancement of bookkeepers, accountants, clerks, managers and owners, students and laymen interested in bookkeeping, accounting and office work.
SUBSCRIPTION PRICE \$3 PER YEAR. INTRODUCTORY OFFER TO NEW SUBSCRIBERS, 1 YEAR FOR \$1.
 Bookkeeper's Journal, 413-F, C. of C. Bldg., Cleveland, O.

interchange of credit information. This problem is discussed under these main headings:

1. The Nature and Purpose of Interchange of Credit Information.
2. The Validity of Credit Services.
3. Agreements or Understandings to Withhold Credit.
4. Establishment of Uniform Credit Terms.
5. The Limits of Co-operative Activity in the Regulation of Credit.

Making Data Visible

GRAPHIC METHODS FOR PRESENTING BUSINESS STATISTICS. John R. Riggleman. McGraw-Hill Book Co. Inc. N. Y. 1926. 231 pp. \$2.50.

At first thought it might seem difficult to determine why this title has been added to the McGraw-Hill series which already contains Kent's "Elements of Statistics," Secrist's "Statistics in Business," Peddle's "The Construction of Graphic Charts" and Smith's "Graphic Statistics in Management."

The reason is doubtless the fact that there is a well-marked distinction between the language of graphics and the science of statistics. Mr. Riggleman has, as Mr. M. C. Rorty suggests in his introduction to the book, taught the language of graphics without at the same time unnecessarily confusing his reader by attempting to teach the science of statistics.

The author's introductory chapter, 3½ pages in length, provides a background by stating, in a few admirable paragraphs, the function of graphic charts in the presentation of business data. It is, of course, no longer necessary to sell the idea to the enterprising business man. He is already thoroughly sold.

Chapter II is concerned with the technique of drawing statistical charts. It abounds in specific information as to drawing equipment and its use,—paper, pencils, the drawing board, the T-square, scales, protractors, compasses and dividers, erasers, adhesives, and the like. It also covers lettering, giving samples of the various styles commonly used in graphic work, and pointing out a number of errors that are frequently made but may easily be avoided.

The author then develops the principles of chart planning, discussing the purpose, size and proportions of the chart, printed forms, standardization, position and size of title, and the use of color. Chapter IV deals with charts making simple comparisons of size, including pictorial forms, bar charts, and the familiar "pie chart." Then follow two valuable chapters on historical time series, dealing with size changes of a single variable over a period of time; comparisons of size differences between time variables; components of a time variable; rates of change in a time variable; and comparisons of rates of change in more than one variable.

"Frequency Distributions" are taken up in a special chapter, as is "Correlation." There is a particularly full and illuminating treatment of geographical distribu-



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tions, covering outline maps, radial distances, densities, the use of color in statistical mapping, map tack systems, map mounts and marking devices.

The concluding chapter is concerned with duplication, reproduction and display. The topics covered include blueprinting, drawing for photographic reproduction, the photostat, cuts or plates for the press, Ben Day shading, use of the mimeograph and hectograph, lantern display and display fixtures.

A nine-page index completes the book. There are 253 illustrations, comprising charts, maps, statistical tables and graphs of every conceivable kind, as well as a number of line drawings and halftones. The illustrations average more than one to a page of text.

From the point of view of the credit manager who makes occasional use of graphic methods of presentation, the outstanding advantages of Mr. Riggleman's book are its thorough practicality and its avoidance of technical terms which no one but a trained statistician might be supposed to understand.

The text is, to be sure, technical. But no technical language is used which is not fully explained. As a matter of fact, a careful observer might learn a lot about graphic methods by making a close study of the 253 illustrations, with only occasional excursions into the text.

A Primer of Finance

RUDIMENTS OF BUSINESS FINANCE. Edward Sherwood Mead and Karl W. H. Scholz. D. Appleton & Co. N. Y. 1926. 307 pp. \$2.

This collaboration comes from the University of Pennsylvania where Dr. Mead is professor of finance and Dr. Scholz assistant professor of economics in the Wharton School of Finance and Commerce.

Many credit managers have read and applied, with benefit to themselves and their concerns, the principles developed in Dr. Mead's longer work, "Corporation Finance," a new edition of which has just been issued with the Appleton imprint. "Rudiments of Business Finance" is, in effect, a condensed version of "Corporation Finance" but Dr. Scholz has made several significant additions, including the summary of the advantages of the business corporation in Chapter III; a discussion of the business budget in Chapter X;

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and the treatment of stock dividends in Chapter XI.

Business men, it is suggested, make more mistakes in the financial field than anywhere else. A man may be a shrewd buyer, an energetic salesman, a good production manager; he may even possess the supreme gift of selecting efficient lieutenants. But sooner or later he will be compelled to make important financial decisions, and these, for lack of information, are often unsound.

But they do not need to be so. There is no mystery, the authors submit, about the principles and methods of finance. The financial practice of large successful corporations, chiefly because of the wholesome publicity which now prevails in all financial matters of public interest, is an open book. But the young business man must carefully study this open book of financial practice. Simply to know that it

is there, and that it is open, will do him no good.

The material in "Rudiments of Business Finance" follows the general order of development of "Corporation Finance." The authors first take up the nature of business enterprise, and the part played in it by financial operations. They discuss the reasons for launching new business enterprises, the function of the promoter and the importance of carefully investigating all so-called "business opportunities."

The problem next treated is how funds are provided to start a new business. This leads, of course, into a discussion of money and credit, and the various means of raising funds for use as capital. The advantages and disadvantages of individual proprietorship, partnership and the corporation, as different forms of business organization, are then thoroughly discussed.

The authors describe the procedure necessary in organizing the enterprise, the nature of stocks and bonds, methods of marketing securities, providing working capital, determining business income and distributing the earnings of the business. Surplus is fully discussed, and special chapters are given to the financing of business expansion, governmental regulation of corporate activity, and failures and reorganizations.

Chapter XV, which concludes the volume, begins with a general retrospect and then comments most interestingly upon increased diffusion of ownership of corporate securities; employee and customer ownership; restrictions placed on employee and customer stock; and the federal incorporation and licensing of business corporations.

The use of this book as a text in schools of commerce and business administration is facilitated by the insertion of from 15 to 20 "guide questions" at the end of each chapter. Valuable as these discriminating questions are in classroom work, they are even more so to the independent reader who uses this book for the ideas he may get from it, rather than as a means of obtaining academic credit.

Credit Granting Abroad

(Continued from page 32)

capital stored up by years of labor on the part of the founders instead of from profits earned by the actual ability of the present owners?

The Credit Instinct

A close study of many reports will eventually bring out a keener sense of values, an ability to sense an underlying cause for an unfavorable report or to catch a discord in the general chorus of approval, as the case may be. This quality is like the "nose for news" so necessary for reporters. In its highest degree, perhaps, the instinct is born in one, but it can be cultivated and must be if a successful policy of credit granting is to be adopted.

Business men are not philanthropists, at least not until they retire or have accumulated a large surplus. They are not distributors of the world's goods. They are traders in them. Nor can a business man be a misanthrope. We must sell our goods to keep up our production; and we must collect our bills to make that production possible. To extend our sphere there is nothing like a policy of credit granting based on judgment which is based on knowledge, generous instincts, and a right conception of every man's share in the world's business, and not swayed by any set theory or prejudice. The writer has had the pleasure of working with a credit grantor who had an adage, "Slow pay with the Latin American is no proof that he is trying to evade payment." This sets out in plain view an understanding of the conditions under which merchants in tropical countries work.

There was an old Chinaman in Manila years ago who said: "I'll give every man a chance once." He knew pretty well who were going to ask him to take a chance on them, and his business did not suffer. Nor will any business suffer that extends such credit as a reasonable need demands when it is based on information gathered through such an organization as the Foreign Credit Interchange Bureau, made up of members of every shade of conviction and experienced in most of the phases of exporting activities.



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SAN FRANCISCANS and business men in many other cities as well felt deeply the sudden loss of William Loewi, a faithful worker in the field of credit, who was taken without warning Sunday afternoon, December 27, two hours after he had returned from an automobile drive with his family.

Mr. Loewi's life, except for a few early years, was spent in San Francisco, and to its commercial and civic development he devoted all his energies. While still in his teens, his work seemed mapped out for him. He always took an interest in people who found it difficult to purchase their daily needs with cash payments. He did not, however, become a money-lender to these people. His was a nature which preferred to help a man to help himself rather than burden him with more than he could carry. With this as his guiding principle he set himself up in business at the age of 25 and continued to develop his credit information bureau until in 1915 it was purchased by the merchants of San Francisco, and named the San Francisco Retail Credit Men's Association, with Mr. Loewi retained as its manager. The fire in 1906 which destroyed virtually all his records, could not discourage him. He started over again immediately and soon had built up a business which was consulted constantly for data, assistance and advice.

Mr. Loewi's fine nature and his readiness to be of help won him many admirers. One of these says "He seemingly has immortalized himself by the few words, 'What can I do for you?'" His loveliness of character, his courtesies and kindnesses endeared him to innumerable San Franciscans and made for him a host of friends in the wholesale and banking credit world.

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